S. HRG. 98-301

MOTOR VEHICLE THEFT LAW ENFORCEMENT ACT OF 1983

HEARING

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 1400

TO ENHANCE THE DETECTION OF MOTOR VEHICLE THEFT AND TO IMPROVE THE PROSECUTION OF MOTOR VEHICLE THEFT BY REQUIRING THE SECRETARY OF TRANSPORTATION TO ISSUE STANDARDS RELATING TO THE IDENTIFICATION OF VEHICLE PARTS AND COMPONENTS, BY INCREASING CRIMINAL PENALTIES APPLICABLE TO TRAFFICKING IN STOLEN VEHICLES AND PARTS, BY CURTAILING THE EXPORTATION OF STOLEN MOTOR VEHICLES AND OFF-HIGHWAY MOBILE EQUIPMENT, AND BY ESTABLISHING PENALTIES APPLICABLE TO THE DISMANTLING OF VEHICLES FOR THE PURPOSE OF TRAFFICKING IN STOLEN PARTS, AND FOR OTHER PURPOSES

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MOTOR VEHICLE THEFT LAW ENFORCEMENT ACT OF 1983

TUESDAY, JULY 19, 1983

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:34 a.m., in room SR-253, Russell Senate Office Building, Hon. John C. Danforth (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Karen B. Phillips, professional staff member; and Loretta L. Dunn, minority staff counsel.

OPENING STATEMENT BY SENATOR DANFORTH

Senator DANFORTH. This morning, the subcommittee will investigate the growing problem of motor vehicle theft. Every 28 seconds a motor vehicle is stolen somewhere in the United States. In 1981, there were nearly 1.1 million motor vehicle thefts in this country, three-quarters of which were thefts of passenger vehicles.

This problem is especially significant in cities with populations of over 1 million. Vehicle thefts in these cities increased 7 percent during the first 6 months of 1982, compared with the same period in 1980.

This morning, we will hear testimony which shows how auto theft is more and more becoming a crime of the professional thief. Given the low recovery rate of stolen vehicles and the low arrest rate of auto thieves as opposed to the high profitability of chop shop operations where stolen automobiles are disassembled into replacement parts for resale, we can expect this criminal activity to continue unless stern measures are taken.

S. 1400 is an effort to combat this ever-increasing problem by requiring identification of vehicle parts and components. The bill also provides civil and criminal penalties for theft-related activities, and strengthens export laws to greatly reduce the prospect of export of stolen vehicles.

Senator Percy has been the leader in this field in the Senate. He is the lead sponsor of this bill. Senator Percy, we are delighted you are here today. We hope that after you complete your testimony, you might join me here and join in the questioning of other witnesses.

I also understand that our colleague, Senator Dixon, was to be with us, but he is unavoidably unable to be here. I understand that

you have testimony of his as well. I also have opening statements from Senators Pressler and Hollings which I will insert in the record at this point.

[The statements and bill follow:]

OPENING STATEMENT BY SENATOR PRESSLER

Auto theft has reached epidemic proportions in the United States. Every 28 seconds, a motor vehicle is stolen. Approximately 500 of these thefts will occur while we hold these hearings this morning. Clearly, we need to take action on this matter now.

I point with great pride to my home state of South Dakota in this area. We have one of the lowest incidences of auto theft in the nation. Yet the problem persists—especially in our nation's large cities. Professional auto thefts and "chop shops" have created a multi-billion dollar underground industry that needs to be toppled.

I believe that the component part identification section of this legislation would be a helpful first step in combatting this problem. It has already been shown that our current system of identifying the engine, transmission and other parts has been very effective. It makes good sense to extend this concept to include the parts that make the present "chop shops" the thriving businesses they are today. The fenders, doors, trunk, hood, etc. can be, in effect, "branded" for as little as ⅓ the price of the average auto theft policy. Consumers will save billions of dollars if we can make the business of stealing cars unprofitable. I am hopeful this legislation will do just that.

OPENING STATEMENT BY SENATOR HOLLINGS

I would like to commend Senator Danforth for scheduling this hearing on S. 1400, the "Motor Vehicle Theft Law Enforcement Act of 1983." Auto theft is a very serious problem across the country. Auto theft is more widespread in large metropolitan areas and the most frequently stolen cars are late-model, higher-priced cars like the BMW 320i and the Chevrolet Corvette. According to FBI reports, one out of every 150 cars was stolen in 1981—the cost of this crime to the American public is almost 5 billion dollars a year. The recovery rate for these stolen cars was only 51.7 percent in 1981, down from a high of 90 percent in 1960.

S. 1400 represents a thoughtful approach to this problem. Title I directs the Department of Transportation to promulgate a federal standard requiring labeling of motor vehicle parts. This standard may not impose costs above $10 per vehicle on the auto manufacturers, but it would make it possible to identify parts of stolen vehicles even after they have been stripped. Titles II and III contain amendments to the criminal code aimed at apprehending those who buy or sell stolen vehicles and parts and those who import or export such vehicles.

I know we have a number of witnesses today who are very interested in this issue, including Senator Percy and Senator Dixon. Senator Percy has been working on this problem for many years and I know the Committee will benefit from his expertise. I look forward to hearing the views of the witnesses today. They represent a wide range of interested organizations including law enforcement, insurance companies, the rental car industry, and the motor vehicle manufacturers.

II

98TH CONGRESS
1ST SESSION

S. 1400

To enhance the detection of motor vehicle theft and to improve the prosecution of motor vehicle theft by requiring the Secretary of Transportation to issue standards relating to the identification of vehicle parts and components, by increasing criminal penalties applicable to trafficking in stolen vehicles and parts, by curtailing the exportation of stolen motor vehicles and off-highway mobile equipment, and by establishing penalties applicable to the dismantling of vehicles for the purpose of trafficking in stolen parts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 26 (legislative day, MAY 25), 1983

Mr. PERCY (for himself, Mr. DIXON, Mr. LUGAR, Mr. DANFORTH, and Mr. LAXALT) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To enhance the detection of motor vehicle theft and to improve the prosecution of motor vehicle theft by requiring the Secretary of Transportation to issue standards relating to the identification of vehicle parts and components, by increasing criminal penalties applicable to trafficking in stolen vehicles and parts, by curtailing the exportation of stolen motor vehicles and off-highway mobile equipment, and by establishing penalties applicable to the dismantling of vehicles for the purpose of trafficking in stolen parts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Motor Vehicle Theft Law Enforcement Act of 1983".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares the following:

(1) The annual number of reported motor vehicle thefts has exceeded one million one hundred thousand. Approximately 50 per centum of all larcenies reported to law enforcement authorities in the United States are directed against motor vehicles, motor vehicle accessories, or the contents of motor vehicles. The recovery rate of stolen motor vehicles has decreased significantly during the most recent decade.

(2) The theft of motor vehicles and the disposition of stolen motor vehicles, and motor vehicle parts and components, are becoming more professional in nature. Such theft and disposition activities also have attracted criminal elements which have used intimidation and violence as a means of obtaining increased control of such activities. Such activities are having a serious effect on interstate and foreign commerce. There is indication that criminal elements are using motor vehicle

theft proceeds to purchase addictive and illegal drugs for resale and for other illicit activities which are extremely harmful to the Nation.

(3) The theft of motor vehicles has brought increased and unnecessary burdens to motor vehicle users and to American taxpayers, as the national financial cost of motor vehicle-related theft offenses currently approaches $4,000,000,000 annually. Such financial cost has had an impact on the overall rate of inflation through higher insurance rates.

(4) National and international uniformity relating to certain standards, such as motor vehicle identification and titling, would further facilitate commerce and prevent criminal abuse.

(5) A cooperative partnership between the States and the Federal Government is required to devise appropriate interrelated systems in the area of motor vehicle titling and registration in order to help curb motor vehicle theft.

(6) The theft of motor vehicles and their parts and components, and their unlawful disposition, can be curtailed significantly through the more effective use of the facilities of the National Crime Information Center by both law enforcement authorities and State motor vehicle registrars.

(7) Manufacturers should be encouraged to increase their efforts to develop better security systems to thwart the theft of motor vehicles and off-highway mobile equipment. Such measures should be creative, innovative, convenient, effective, and cost beneficial.

(8) The motor vehicle and off-highway mobile equipment insurance industries should be encouraged to continue and to improve their practices relating to premium discounts or surcharges based upon the theft potential (determined by experience) of such vehicles or mobile equipment and on the soundness of their theft prevention systems. Such efforts by the insurance industry will help create a marketplace incentive for the manufacturing of motor vehicles and off-highway mobile equipment which are more impervious to both amateur and professional theft.

(9) The cooperation and assistance of the motor vehicle insurance industry are needed to curb the growing problem of insurance fraud through improvements in procedures for claim processing, disposition of salvage vehicles, and issuance of policies.

(10) Motor vehicle antitheft campaigns at the local level which have increased citizen involvement and have been sponsored by the motor vehicle insurance in-

dustry have been effective in reducing motor vehicle theft.

(11) An increased vigilance by used motor vehicle dealers, motor vehicle dismantlers, recyclers, and salvage dealers, and by motor vehicle repair and body shops, is crucial to curtail the use of their important industries to facilitate crime through the disposition of stolen motor vehicles and their parts and components.

(12) The shipment of stolen motor vehicles and their parts and components, as well as stolen off-highway mobile equipment, outside the United States is a serious problem. The cooperation of shippers and operators of vessels, railroads, and aircraft is necessary to hinder such illicit exportation.

(13) The continued assistance and cooperation of Canada and Mexico are key ingredients necessary to aid the United States in efforts to protect the property of residents of the United States by limiting the opportunity for stolen motor vehicles and off-highway mobile equipment to enter Canada and Mexico from the United States.

(14) Federal, State, and local prosecutors should give increased emphasis to the prosecution of persons committing motor vehicle thefts, with particular emphasis given to professional motor vehicle theft oper-

ations and to persons engaged in the dismantling of stolen motor vehicles for the purpose of trafficking in stolen motor vehicle parts and components.

(15) The commendable and constructive efforts of the Attorney General of the United States, the Secretary of Transportation, the Secretary of the Treasury, the Secretary of State, and the Secretary of Commerce in the formation of the Interagency Committee on Auto Theft Prevention, with cooperation from the private sector, should be continued and expanded.

(16) The commendable efforts of the National Committee on Uniform Traffic Laws and Ordinances in amending various sections of the Uniform Vehicle Code by incorporating in such Code desirable antitheft measures relating to vehicle titling and controls over motor vehicle salvage can be beneficial in controlling the motor vehicle theft problem if the insurance industry, motor vehicle manufacturers, and other business entities affected by the motor vehicle theft problem adequately support the National Committee in implementing such measures.

(b) It is the purpose of this Act—

(1) to improve the identification numbering systems for motor vehicles and their major parts and components;

(2) to increase the Federal criminal penalties imposed upon persons trafficking in stolen motor vehicles and their parts and components;

(3) to establish procedures to reduce opportunities for exporting stolen motor vehicles and off-highway mobile equipment; and

(4) to establish a task force to study antitheft measures for State motor vehicle titling programs.

TITLE I—IMPROVED IDENTIFICATION FOR MOTOR VEHICLE PARTS AND COMPONENTS

MOTOR VEHICLE PARTS AND COMPONENTS SECURITY STANDARD

SEC. 101. (a) Section 102 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1391) is amended by redesignating paragraph (3) through paragraph (15) as paragraph (4) through paragraph (16), respectively, and by inserting after paragraph (2) the following new paragraph:

"(3) 'Motor vehicle security standard' means a minimum performance standard relating to methods and procedures for the identification of new motor vehicle parts and components (other than motorcycle parts and components). For purposes of this paragraph, 'motorcycle' means a motor vehicle with motive power having a seat or saddle for the use of the rider

and designed to travel on not more than three wheels in contact with the ground.".

(b) Section 103 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392) is amended by adding at the end thereof the following new subsection:

"(j)(1) The Secretary, not later than twelve months after the date of the enactment of the Motor Vehicle Theft Law Enforcement Act of 1983, shall publish a proposed Federal motor vehicle security standard.

"(2) Subject to the requirements of paragraph (3), the Secretary, as soon as practicable after such twelve-month period but not later than twenty-four months after such date of enactment, shall promulgate a Federal motor vehicle security standard. Such standard shall take effect not earlier than one hundred and eighty days, and not later than one year, after the date on which such standard is promulgated, unless the Secretary finds, for good cause shown, that an earlier or later effective date is in the public interest, and publishes his reasons for such finding. Such standard shall apply only to motor vehicle parts and components which are (A) included in the assembly of motor vehicles manufactured after the effective date of such standard; or (B) manufactured as new replacement parts or components after such effective date.

"(3)(A) The Secretary, before promulgating any Federal motor vehicle security standard under this subsection, shall

conduct a study to determine the cost of implementing such standard and the benefits attainable as a result of the implementation of such standard. Such study shall include an evaluation of the effect which such standard may have upon production and sales by the domestic motor vehicle manufacturing industry.

"(B) The Secretary shall include the results of such study in the publication of the proposed Federal motor vehicle security standard specified in paragraph (1).

"(C) The Secretary shall not have any authority to promulgate any such Federal motor vehicle security standard unless the Secretary determines, as a result of such study, that the benefits of such standard are likely to exceed the costs of such standard.

"(4)(A) No motor vehicle security standard promulgated by the Secretary under this subsection may impose additional costs upon manufacturers of motor vehicles in excess of $10 per motor vehicle. The level of costs per motor vehicle imposed by any such standard shall be determined by the Secretary as part of the study which is required in paragraph (3)(A).

"(B) Any manufacturer, subsequent to the promulgation of any such Federal motor vehicle security standard, may petition the Secretary to amend such standard for the purpose of complying with the requirements of subparagraph

(A). Upon a showing by such manufacturer that compliance with such standard will cause costs which exceed $10 per motor vehicle, the Secretary shall amend such standard in such manner as may be necessary to eliminate costs which exceed $10 per motor vehicle.

"(C)(i) At the beginning of each calendar year (commencing in 1984), as there become available necessary data from the Bureau of Labor Statistics of the Department of Labor, the Secretary of Labor shall certify to the Secretary and publish in the Federal Register the percentage difference between the price index for the twelve months preceding the beginning of such calendar year and the price index for the base period. The amount specified in subparagraph (A) and subparagraph (B) shall be adjusted by such percentage difference. Such amount so adjusted shall be the amount in effect for such calendar year.

"(ii) For purposes of this subparagraph:

"(I) The term 'base period' means calendar year 1980.

"(II) The term 'price index' means the average over a calendar year of the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics.

"(5) No motor vehicle security standard promulgated by the Secretary under this section may require the numbering

or other identification of more than a total of four parts and components for any trailer, nine parts and components for any truck, and fourteen parts and components for any other motor vehicle.

"(6) In promulgating motor vehicle security standards under this section, the Secretary shall take into account—

"(A) relevant available motor vehicle security data, including the results of research, development, testing, and evaluation activities conducted pursuant to this Act;

"(B) available studies carried out by motor vehicle manufacturers which evaluate (i) methods and procedures for the identification of motor vehicle parts and components; and (ii) the effects which such methods and procedures may have with respect to reducing motor vehicle thefts and with respect to the costs of motor vehicle ownership;

"(C) the effect of the implementation of such standard upon the cost of motor vehicle insurance;

"(D) savings which may be realized from the implementation of such standard through alleviating inconveniences experienced by consumers as a result of the theft and disposition of motor vehicle parts and components; and

"(E) considerations of safety.".

(c) Section 103(d) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(d)) is amended by inserting "(1)" after the subsection designation and by adding at the end thereof the following new paragraph:

"(2) Whenever a Federal motor vehicle security standard established under this title is in effect, no State or political subdivision of a State shall have any authority either to establish, or to continue in effect, with respect to any motor vehicle part or component, any security standard which is not identical to such Federal motor vehicle security standard.".

AUTHORITY OF SECRETARY TO STUDY SECURITY DEVICES AND SYSTEMS

SEC. 102. (a) Section 106 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395) is amended by redesignating subsection (b) and subsection (c) as subsection (c) and subsection (d), respectively, and by inserting after subsection (a) the following new subsection:

"(b) The Secretary is authorized to conduct studies from time to time regarding the development of security devices or systems, or both, which are designed to deter individuals from entering a locked motor vehicle and starting the motor vehicle for the purpose of stealing the motor vehicle.".

(b) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966, as so redesignated in subsection (a), is amended by inserting after "this section" the follow-

ing: ", and to conduct studies as authorized to be carried out by subsection (b) of this section,".

REPORT REGARDING SECURITY DEVICES AND SYSTEMS

SEC. 103. (a) The Secretary of Transportation, not later than one year after the date of the enactment of this Act, shall submit a report to the Congress regarding security devices or systems, or both, which are designed to deter individuals from entering a locked motor vehicle and starting the motor vehicle for the purpose of stealing the motor vehicle.

(b) The report required in subsection (a) shall seek to determine—

(1) whether a Federal motor vehicle security standard can be devised which is objective in its evaluative capacity, but which does not result in the compromising of motor vehicle security systems in the process of demonstrating compliance with such standard; and

(2) whether it would be more beneficial for motor vehicle manufacturers to offer special security devices or systems as options for motor vehicles which will be used primarily in areas having high crime rates.

(c) The report required in subsection (a) also may include an examination and review of any matters relating to motor vehicle security which the Secretary of Transportation considers appropriate to examine and review. The Secretary

shall prepare such report after consulting with the Attorney General of the United States. Such report shall include recommendations for such legislative or administrative action as the Secretary considers necessary or appropriate.

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 104. (a)(1) The first section of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1381) is amended—

(A) by inserting ", and to improve the identification numbering systems for motor vehicle parts and components" after "traffic accidents" the last place it appears therein;

(B) by striking out "and" after "development;"; and

(C) by inserting "; and to establish security standards for motor vehicle parts and components" after "register".

(2) The heading for title I of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1381 et seq.) is amended to read as follows:

"TITLE I—MOTOR VEHICLE SAFETY AND SECURITY STANDARDS".

(3) Section 101 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1381 note) is amended by

striking out "Safety Act of 1966" and inserting in lieu thereof "Safety and Security Act".

(4)(A) Section 103(a) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(a)) is amended—

(i) in the first sentence thereof, by inserting ", and shall establish by order Federal motor vehicle security standards in accordance with subsection (j)" before the period at the end thereof; and

(ii) by striking out the last sentence thereof and inserting in lieu thereof the following new sentences: "Each such standard shall be practicable and shall be stated in objective terms. Each such Federal motor vehicle safety standard shall meet the need for motor vehicle safety, and each such Federal motor vehicle security standard shall meet the need for motor vehicle security.".

(B) Section 103(b) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(b)) is amended by inserting "or a Federal motor vehicle security standard" after "standard".

(C) Section 103(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(c)) is amended by inserting ", or a Federal motor vehicle security standard

(subject to the provisions of subsection (j)),'' after ''standard'' the first place it appears therein.

(D) Section 103(e) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(e)) is amended by inserting ''or any Federal motor vehicle security standard'' after ''standard''.

(E) Section 103(f) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392(f)) is amended by inserting ''Federal motor vehicle safety'' after ''prescribing''.

(5)(A) Section 106(a)(1) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(a)(1)) is amended—

(i) by striking out ''and'' after ''vehicles,''; and

(ii) by inserting before the semicolon the following: '', and (C) the theft of motor vehicles and motor vehicle parts and components''.

(B) Section 106(d) of the National Traffic and Motor Vehicle Safety Act of 1966, as so redesignated in section 102(a), is amended by inserting ''or motor vehicle security'' after ''safety''.

(6) Section 107 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1396) is amended by inserting ''and motor vehicle security standards'' after ''standards'' each place it appears therein.

(7)(A) Section 108(a)(1)(A) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1397(a)(1)(A)) is amended by inserting "or Federal motor vehicle security standard" after "standard" the first place it appears therein.

(B) Section 108(a)(1)(C) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1397(a)(1)(C)) is amended by inserting "and Federal motor vehicle security standards" after "standards".

(C) Section 108(b)(2) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1397(b)(2)) is amended by inserting "and Federal motor vehicle security standards" after "standards" each place it appears therein.

(D) Section 108(b)(3) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1397(b)(3)) is amended by inserting "or Federal motor vehicle security standard" after "standard".

(E) Section 108(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1397(c)) is amended by inserting "or Federal motor vehicle security standard" after "standard".

(8) Section 110(a) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1399(a)) is amended—

(A) by inserting "or Federal motor vehicle security standards" after "standards"; and

(B) by inserting "or security" after "safety" the last place it appears therein.

(9) Section 111(a) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1400(a)) is amended—

(A) by inserting "or Federal motor vehicle security standards" after "standards"; and

(B) by inserting "or security" after "safety" the last place it appears therein.

(10) Section 114 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1403) is amended by inserting "and Federal motor vehicle security standards" after "standards".

(11)(A) Section 120(a)(2) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1408(a)(2)) is amended by inserting "and Federal motor vehicle security standards" after "standards".

(B) Section 120(b) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1408(b)) is amended by inserting "and motor vehicle security" after "safety" each place it appears therein.

(12)(A) Section 123(a) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1410(a)) is amended—

(i) by inserting "or motor vehicle security standard" after "standard" the first place it appears therein;

(ii) in paragraph (1)(B) thereof, by inserting "or security" after "safety" each place it appears therein; and

(iii) in paragraph (1)(D) thereof, by inserting "or security" after "safety" each place it appears therein.

(B) Section 123(e) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1410(e)) is amended by inserting "or security" after "safety" the first, second, third, fourth, sixth, and last places it appears therein.

(13) The heading for part B of title I of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1411 et seq.) is amended to read as follows:

"PART B—DISCOVERY, NOTIFICATION, AND REMEDY OF MOTOR VEHICLE DEFECTS OR FAILURES TO COMPLY".

(14) Section 151 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1411) is amended—

(A) in paragraph (1) thereof, by inserting "or security" after "safety"; and

(B) in paragraph (2) thereof, by inserting "or Federal motor vehicle security standard" after "standard".

(15)(A) Section 152(a) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1412(a)) is amended—

(i) in paragraph (1) thereof, by inserting "or Federal motor vehicle security standard" after "standard"; and

(ii) in paragraph (2) thereof, by inserting "or security" after "safety".

(B) Section 152(b) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1412(b)) is amended—

(i) by inserting "or Federal motor vehicle security standard" after "standard"; and

(ii) by inserting "or security" after "safety" the last place it appears therein.

(16) Section 153(a)(2) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1413(a)(2)) is amended by inserting "or security" after "safety".

(17)(A) Section 154(a)(1) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1414(a)(1)) is amended—

(i) by inserting "or Federal motor vehicle security standard" after "standard"; and

(ii) by inserting "or security" after "safety" the last place it appears therein.

(B) Section 154(b)(1) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1414(b)(1)) is amend-

ed by inserting "or a motor vehicle security standard" after "standard".

(18) Section 155(b) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1415(b)) is amended—

(A) in paragraph (A) thereof, by inserting "or security" after "safety" the first place it appears therein, and by inserting "or a Federal motor vehicle security standard" after "standard"; and

(B) in paragraph (C) thereof, by inserting "or security" after "safety".

(19) Section 157 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1417) is amended by inserting "or security" after "safety".

(20) Section 158(a)(2)(A) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1418(a)(2)(A)) is amended—

(A) by inserting "or security" after "safety" the first place it appears therein; and

(B) by inserting "or Federal motor vehicle security standard" after "standard".

(b) Reference in any other provision of Federal law to the National Traffic and Motor Vehicle Safety Act of 1966 hereby is deemed to be a reference to the National Traffic and Motor Vehicle Safety and Security Act.

TERMINATION OF CERTAIN PROVISIONS AND AMENDMENTS

SEC. 105. (a)(1) The foregoing provisions of this title and the amendments made in this title shall be repealed, and the amendments specified in paragraph (2) shall be made, at the end of June 30 of the fourth successive year following the first June 30 which occurs at least fifteen months after the effective date of the motor vehicle security standard which the Secretary of Transportation is required to promulgate under section 103(j) of the National Traffic and Motor Vehicle Safety Act of 1966, unless the Secretary of Transportation and the Attorney General of the United States, during the one-year period preceding June 30 of such fourth successive year, submit a joint written statement to the Congress which makes the findings specified in subsection (b).

(2)(A) The amendments contained in this paragraph shall be made in accordance with the provisions of paragraph (1).

(B) Section 510(b)(2) of title 18, United States Code, as added in section 201(a), is amended by striking out "of the Secretary of Transportation or under authority".

(C) Section 510(c) of title 18, United States Code, as added in section 201(a), is amended by striking out paragraph (1) and redesignating paragraph (2) through paragraph (4) thereof as paragraph (1) through paragraph (3), respectively.

(D) Section 511(a)(2) of title 18, United States Code, as added in section 201(a), is amended by striking out "which is authorized by the Secretary of Transportation or".

(E) Section 511(c) of title 18, United States Code, as added in section 201(a), is amended by striking out paragraph (1) and redesignating paragraph (2) and paragraph (3) thereof as paragraph (1) and paragraph (2), respectively.

(F) Section 511(c)(2) of title 18, United States Code, as added in section 201(a) and as so redesignated in subparagraph (E), is amended by striking out "510(c)(4)" and inserting in lieu thereof "510(c)(3)".

(G) Section 2320(b)(1) of title 18, United States Code, as added in section 204(a), is amended by striking out "is authorized by the Secretary of Transportation or".

(H) Section 2320(c) of title 18, United States Code, as added in section 204(a), is amended by striking out paragraph (1) and redesignating paragraph (2) and paragraph (3) thereof as paragraph (1) and paragraph (2), respectively.

(I) Section 2320(c)(2) of title 18, United States Code, as added in section 204(a) and as so redesignated in subparagraph (H), is amended by striking out "510(c)(4)" and inserting in lieu thereof "510(c)(3)".

(b) The statement specified in subsection (a) shall include—

(1) a finding, based upon the most recent available statistics contained in the National Crime Information Center, the most recent available statistics compiled in connection with publication of the Uniform Crime Reports, and upon other sources (including the perceptions of that portion of the law enforcement community of the Nation which deals with motor vehicle theft, as well as any increase in arrest or prosecution rates relating to motor vehicle theft), that there has been a beneficial impact upon the rate of thefts or the rate of recovery of motor vehicles, or motor vehicle parts and components, or both, during the period in which the motor vehicle security standard which the Secretary of Transportation is required to promulgate under section 103(j) of the National Traffic and Motor Vehicle Safety Act of 1966, as amended in section 101(b), is in effect;

(2) a finding that such impact upon the rate of thefts or the rate of recovery of motor vehicles is significantly attributable to the operation and enforcement of such motor vehicle security standard; and

(3) a judgment that the provisions specified in subsection (a)(1) should remain in effect and the amendments specified in subsection (a)(2) should not be made.

(c)(1) The provisions of paragraph (2) through paragraph (4) shall apply if the repeals and amendments specified in subsection (a) take effect in accordance with subsection (a).

(2) Any Federal motor vehicle security standard established by the Secretary of Transportation under section 103(j) of the National Traffic and Motor Vehicle Safety Act of 1966, as amended in section 101, shall cease to have any force or effect after the repeals specified in subsection (a) take effect.

(3) Any administrative proceeding relating to any provision of law repealed in accordance with subsection (a) which is pending on the effective date of such repeal shall be continued as if subsection (a) had not been enacted, and orders issued in any such administrative proceeding shall continue in effect until amended or revoked by the Secretary of Transportation in accordance with the National Traffic and Motor Vehicle Safety Act of 1966, or by operation of law.

(4) The repeals specified in subsection (a) shall not affect any suit, action, or other proceeding lawfully commenced before the effective date of such repeals, and all such suits, actions, and proceedings shall be continued, proceedings therein had, appeals therein taken, and judgments therein rendered, in the same manner and with the same effect as if subsection (a) had not been enacted.

TITLE II—ANTIFENCING MEASURES

MOTOR VEHICLE IDENTIFICATION NUMBERS; FORFEITURES

SEC. 201. (a) Chapter 25 of title 18, United States Code, is amended by adding at the end thereof the following new sections:

"§ 510. Altering or removing motor vehicle identification numbers

"(a) Except as provided in subsection (b), whoever knowingly removes, obliterates, tampers with, or alters any identification number for any motor vehicle, or any part or component of a motor vehicle, shall be fined not more than $5,000, imprisoned for not more than five years, or both.

"(b) The provisions of subsection (a) shall not apply to—

"(1) any motor vehicle scrap processor or motor vehicle demolisher, when—

"(A) such person is engaged in the processing of any motor vehicle, or any motor vehicle part or component, into metallic scrap for purposes of recycling the metallic content of such motor vehicle, part, or component; and

"(B) such person, in carrying out such processing, complies with any applicable State law relating to the disposition of such motor vehicle, part, or component; or

"(2) any person, acting under authority of the Secretary of Transportation or under authority of State law, who is engaged in restoring or replacing any identification number specified in subsection (a).

"(c) For purposes of this section:

"(1) The term 'identification number' means any identification number which is required by any Federal motor vehicle safety standard or any Federal motor vehicle security standard established by the Secretary of Transportation under the National Traffic and Motor Vehicle Safety and Security Act or by any other regulation issued by the Secretary of Transportation.

"(2) The term 'motor vehicle' has the meaning given it in section 102 of the National Traffic and Motor Vehicle Safety and Security Act.

"(3) The term 'motor vehicle demolisher' means any person, including any motor vehicle dismantler or motor vehicle recycler, who is engaged in the business of processing motor vehicles, or motor vehicle parts or components, or both, in a manner which renders the subject of such processing unsuitable for any further use as a motor vehicle or a motor vehicle part or component.

"(4) The term 'motor vehicle scrap processor' means any person—

"(A) who is engaged in the business of purchasing motor vehicles, or motor vehicle parts or components, or both, for the purpose of processing such motor vehicles, parts, or components into metallic scrap for recycling;

"(B) who, from a fixed location, utilizes machinery and equipment for processing and manufacturing ferrous or nonferrous metallic scrap into prepared grades; and

"(C) whose business produces metallic scrap for recycling as its principal product.

Such term does not include any activity of any such person relating to the recycling of a motor vehicle or a motor vehicle part or component as a used motor vehicle or a used motor vehicle part or component.

"(5) The term 'processing' means loading, unloading, crushing, flattening, destroying, grinding up, handling, or otherwise reducing a motor vehicle or a motor vehicle part into metallic scrap.

"§ 511. Forfeiture of certain motor vehicles, motor vehicle parts, and motor vehicle components

"(a) If any identification number for any motor vehicle, or any part or component of a motor vehicle, is removed, obliterated, tampered with, or altered, then such motor vehi-

cle, part, or component shall be subject to seizure and forfeiture to the United States unless—

"(1) in the case of a motor vehicle part or component, such part or component has been attached to a motor vehicle without any knowledge of the owner of such motor vehicle that such identification number has been removed, obliterated, tampered with, or altered;

"(2) such motor vehicle, part, or component has a replacement identification number which is authorized by the Secretary of Transportation or which is in conformity with any applicable laws of the State in which such motor vehicle, part, or component is located;

"(3) such removal, obliteration, tampering, or alteration—

"(A) is caused by any collision or fire which results in damage to that portion of such motor vehicle, part, or component on which such identification number is displayed; or

"(B) is carried out in accordance with the provisions of section 510(b)(1) of this title; or

"(4) such motor vehicle, part, or component is in the possession or control of a motor vehicle scrap processor, unless such motor vehicle scrap processor has knowledge of the fact that such identification number was removed, obliterated, tampered with, or altered in

any manner other than by collision, fire, or the processing of such motor vehicle, part, or component in accordance with the provisions of section 510(b)(1) of this title.

"(b) All provisions of law relating to—

"(1) the seizure and condemnation of vessels, vehicles, merchandise, and baggage for violation of customs laws, and summary and judicial forfeiture procedures applicable in the case of such violations;

"(2) the disposition of such vessels, vehicles, merchandise, and baggage or the proceeds from such sale;

"(3) the remission or mitigation of such forfeitures; and

"(4) the compromise of claims and the award of compensation to informers with respect to such forfeitures;

shall apply to seizures and forfeitures incurred or alleged to have incurred under the provisions of this section, insofar as applicable and not inconsistent with such provisions. Such duties as are imposed upon the collector of customs or any other person with respect to the seizure and forfeiture of vessels, vehicles, merchandise, and baggage under the customs laws shall be performed with respect to seizures and forfeitures of property under this section by such officers, agents, or

other persons as may be designated for such purpose by the Attorney General.

"(c) For purposes of this section:

"(1) The term 'identification number' has the meaning given it in section 510(c)(1) of this title.

"(2) The term 'motor vehicle' has the meaning given it in section 102 of the National Traffic and Motor Vehicle Safety and Security Act.

"(3) The term 'motor vehicle scrap processor' has the meaning given it in section 510(c)(4) of this title.".

(b) The table of sections for chapter 25 of title 18, United States Code, is amended by adding at the end thereof the following new items:

"510. Altering or removing motor vehicle identification numbers.
"511. Forfeiture of certain motor vehicles, motor vehicle parts, and motor vehicle components.".

DEFINITION OF SECURITIES

SEC. 202. Section 2311 of title 18, United States Code, is amended by inserting after "voting trust certificate;" the following: "motor vehicle title until it is canceled by the State indicated thereon or blank motor vehicle title;".

SALE OR RECEIPT OF STOLEN MOTOR VEHICLES

SEC. 203. Section 2313 of title 18, United States Code, is amended—

(1) by striking out "moving as, or which is a part of, or which constitutes interstate or foreign commerce," and inserting in lieu thereof "which has

crossed a State or United States boundary after being stolen,"; and

(2) by inserting "possesses," after "receives,".

TRAFFICKING IN CERTAIN MOTOR VEHICLES, MOTOR VEHICLE PARTS, OR MOTOR VEHICLE COMPONENTS

SEC. 204. (a) Chapter 113 of title 18, United States Code, is amended by adding at the end thereof the following new section:

"§ 2320. Trafficking in certain motor vehicles, motor vehicle parts, or motor vehicle components

"(a) Except as provided in subsection (b), whoever buys, receives, possesses, or obtains control of, with intent to sell, transfer, distribute, dispense with, or otherwise dispose of, any motor vehicle, or any motor vehicle part or component, with knowledge that any identification number for such motor vehicle, part, or component has been removed, obliterated, tampered with, or altered, shall be fined not more than $25,000, or imprisoned for not more than ten years, or both.

"(b) The provisions of subsection (a) shall not apply in the case of any motor vehicle, or any motor vehicle part or component, if—

"(1) such motor vehicle, part, or component has a replacement identification number which is authorized by the Secretary of Transportation or is in conformity

with the applicable laws of the State in which such motor vehicle, part, or component is located; or

"(2) the removal, obliteration, tampering with, or alteration of the identification number for such motor vehicle, part, or component (A) is caused by any collision or fire which results in damage to that portion of such motor vehicle, part, or component on which such identification number is displayed; or (B) is carried out in accordance with the provisions of section 510(b)(1) of this title.

"(c) For purposes of this section:

"(1) The term 'identification number' has the meaning given it in section 510(c)(1) of this title.

"(2) The term 'motor vehicle' has the meaning given it in section 102 of the National Traffic and Motor Vehicle Safety and Security Act.".

(b) The table of sections for chapter 113 of title 18, United States Code, is amended by adding at the end thereof the following new item:

"2320. Trafficking in certain motor vehicles, motor vehicle parts, or motor vehicle components.".

DEFINITION OF RACKETEERING ACTIVITY

SEC. 205. Section 1961(1) of title 18, United States Code, is amended—

(1) by inserting "sections 2312 and 2313 (relating to interstate transportation of stolen motor vehicles),"

after "section 1955 (relating to the prohibition of illegal gambling businesses),"; and

(2) by inserting "section 2320 (relating to trafficking in certain motor vehicles, motor vehicle parts, or motor vehicle components)," after "sections 2314 and 2315 (relating to interstate transportation of stolen property),".

NONMAILABLE MOTOR VEHICLE MASTER KEYS

SEC. 206. (a)(1) Section 3002 of title 39, United States Code, is amended by redesignating subsection (b) and subsection (c) as subsection (c) and subsection (d), respectively, and by inserting after subsection (a) the following new subsection:

"(b) Except as provided in subsection (c) of this section, any device which is designed or adapted primarily for the purpose of operating, circumventing, removing, or rendering inoperable the ignition switch, ignition lock, door lock, or trunk lock of two or more motor vehicles, or any advertisement for the sale of any such device, is nonmailable matter and shall not be carried or delivered by mail.".

(2) The heading for section 3002 of title 39, United States Code, is amended to read as follows:

"§ 3002. Nonmailable motor vehicle master keys and other devices".

(3) Section 3002(a) of title 39, United States Code, is amended by striking out "subsection (b)" and inserting in lieu thereof "subsection (c)".

(4) Section 3002(c) of title 39, United States Code, as so redesignated in paragraph (1), is amended by inserting "and subsection (b)" after "subsection (a)".

(5) Section 3002 of title 39, United States Code, as amended in paragraph (1), is further amended by adding at the end thereof the following new subsection:

"(e) Upon evidence satisfactory to the Postal Service that any person is engaged in a scheme or device for obtaining money or property through the mail by advertising or offering for sale any motor vehicle master key or device made nonmailable by this section, the Postal Service may issue an order of the same kind and with the same incidents as that authorized by section 3005 of this title.".

(6) The table of sections for chapter 30 of title 39, United States Code, is amended by striking out the item relating to section 3002 and inserting in lieu thereof the following new item:

"3002. Nonmailable motor vehicle master keys and other devices.".

(b)(1) The heading for section 1716A of title 18, United States Code, is amended to read as follows:

"§ 1716A. Nonmailable motor vehicle master keys and other devices".

(2) The table of sections for chapter 83 of title 18, United States Code, is amended by striking out the item relating to section 1716A and inserting in lieu thereof the following new item:

"1716A. Nonmailable motor vehicle master keys and other devices.".

TITLE III—IMPORTATION AND EXPORTATION MEASURES

AMENDMENTS TO TITLE 18, UNITED STATES CODE

SEC. 301. (a) Chapter 27 of title 18, United States Code, is amended by adding at the end thereof the following new section:

"§ 553. Unlawful importation or exportation of stolen motor vehicles, off-highway mobile equipment, vessels, or aircraft

"(a) Whoever imports, exports, or attempts to import or export—

"(1) any motor vehicle, off-highway mobile equipment, vessel, aircraft, or part of any motor vehicle, off-highway mobile equipment, vessel, or aircraft, knowing the same to have been stolen; or

"(2) any motor vehicle or off-highway mobile equipment or part of any motor vehicle or off-highway mobile equipment, knowing that its identification

number has been removed, obliterated, tampered with, or altered;

shall be fined not more than $10,000, imprisoned not more than 5 years, or both.

"(b) For purposes of this section—

"(1) the term 'motor vehicle' means any automobile, truck, tractor, bus, motorcycle, or motor home, but such term does not include any off-highway mobile equipment;

"(2) the term 'off-highway mobile equipment' includes any self-propelled agricultural machinery, self-propelled construction equipment, self-propelled special use equipment, and any other self-propelled machine used or designed for running on land but not on rail or highway;

"(3) the term 'vessel' has the meaning given it in section 401 of the Tariff Act of 1930 (19 U.S.C. 1401); and

"(4) the term 'aircraft' has the meaning given it in section 101(5) of the Federal Aviation Act of 1958 (49 U.S.C. 1301(5)).".

(b) The table of sections for chapter 27 of title 18, United States Code, is amended by adding at the end thereof the following new item:

"553. Unlawful importation or exportation of stolen motor vehicles, off-highway mobile equipment, vessels, or aircraft.".

AMENDMENT TO TARIFF ACT OF 1930

SEC. 302. Part V of title VI of the Tariff Act of 1930 (19 U.S.C. 1581 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 626. UNLAWFUL IMPORTATION OR EXPORTATION OF CERTAIN VEHICLES AND EQUIPMENT; INSPECTIONS.

"(a)(1) Whoever knowingly imports, exports, or attempts to import or export—

"(A) any stolen motor vehicle, off-highway mobile equipment, vessel, aircraft, or part of any motor vehicle, off-highway mobile equipment, vessel, or aircraft; or

"(B) any motor vehicle or off-highway mobile equipment, or part of any motor vehicle or off-highway mobile equipment, from which the identification number has been removed, obliterated, tampered with, or altered;

shall be subject to a civil penalty in an amount determined by the Secretary, not to exceed $10,000 for each violation.

"(2) Any violation of this subsection shall make such motor vehicle, off-highway mobile equipment, vessel, aircraft, or part thereof subject to seizure and forfeiture under this Act.

"(b) A person attempting to export any used motor vehicle or off-highway mobile equipment shall present, pursuant to regulations prescribed by the Secretary, to the appropriate customs officer both the vehicle or equipment, as the case may be, and a document describing such vehicle or equipment, as the case may be, which includes the vehicle or equipment identification number, as the case may be, before lading if the vehicle or equipment, as the case may be, is to be transported by vessel or aircraft, or before export if the vehicle or equipment, as the case may be, is to be transported by rail, highway, or under its own power. Failure to comply with the regulations of the Secretary shall subject such person to a civil penalty of not more than $500 for each violation.

"(c) For purposes of this section—

"(1) the term 'motor vehicle' includes any automobile, truck, tractor, bus, motorcycle, or motor home, but such term does not include any off-highway mobile equipment;

"(2) the term 'off-highway mobile equipment' includes self-propelled agricultural machinery, self-propelled construction equipment, self-propelled special use equipment, and any other self-propelled machine used or designed for running on land but not on rail or highway;

"(3) the term 'aircraft' has the meaning given it in section 101(5) of the Federal Aviation Act of 1958 (49 U.S.C. 1301(5));

"(4) the term 'used' refers to any self-propelled vehicle the equitable or legal title to which has been transferred by a manufacturer, distributor, or dealer to an ultimate purchaser; and

"(5) the term 'ultimate purchaser' means the first person, other than a dealer purchasing in his capacity as a dealer, who in good faith purchases a self-propelled vehicle for purposes other than resale.".

TITLE IV—REPORTING REQUIREMENTS

REPORT REGARDING ANTITHEFT MEASURES FOR STATE MOTOR VEHICLE TITLING PROGRAMS

SEC. 401. (a) The Secretary of Transportation, as soon as practicable after the date of the enactment of this Act, shall establish a task force to study problems which relate to motor vehicle titling and controls over motor vehicle salvage and which may affect the motor vehicle theft problem. The task force shall prepare a report containing the results of such study and shall submit such report to the Congress and to the chief executive officer of each State not later than eighteen months after such date of enactment.

(b) The task force shall consist of—

(1) the Secretary of Transportation, or his delegate;

(2) the Attorney General of the United States, or his delegate;

(3) the Secretary of Commerce, or his delegate;

(4) the Secretary of the Treasury, or his delegate;

(5) at least five representatives of State motor vehicle departments, to be designated by the Secretary of Transportation; and

(6) at least one representative, to be designated by the Secretary of Transportation, from each of the following groups: (A) motor vehicle manufacturers; (B) motor vehicle dealers and distributors; (C) motor vehicle dismantlers, recyclers, and salvage dealers; (D) motor vehicle repair and body shop operators; (E) motor vehicle scrap processors; (F) insurers of motor vehicles; (G) State law enforcement officials; (H) local law enforcement officials; (I) the American Association of Motor Vehicle Administrators; (J) the National Automobile Theft Bureau; and (K) the National Committee on Traffic Laws and Ordinances.

(c)(1) The members of the task force shall serve without pay.

(2) While away from their residences or regular places of business in performance of services for the Federal Gov-

ernment, members of the task force shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Federal Government service are allowed expenses under section 5703 of title 5, United States Code.

(3) The Secretary of Transportation, or his delegate, shall serve as chairman of the task force.

(d)(1) The report required in subsection (a) shall be made after a meaningful consultative process and review of existing laws, practices, studies, and recommendations regarding the problems specified in subsection (a).

(2) The report shall specify the key aspects of motor vehicle antitheft measures necessary to prevent the disposition or use of stolen motor vehicles, or the major components of motor vehicles, and to prevent insurance fraud or income tax fraud based upon false reports of stolen vehicles. The report shall indicate any of the antitheft measures for which national uniformity would be crucial in order for the measure to be adequately effective. The report shall recommend viable ways of obtaining any national uniformity which is necessary.

(3) The report also shall include other recommendations for legislative or administrative action at the State level or at the Federal level, and recommendations for industry actions, if the task force considers any such actions to be necessary or appropriate.

REPORT REGARDING IMPLEMENTATION OF ACT

SEC. 402. On or before the first June 30 which occurs at least fifteen months after the date of the enactment of this Act, and on or before each June 30 thereafter for the following nine successive years, the Attorney General of the United States, in consultation with the Secretary of Transportation, the Secretary of the Treasury, and the Postmaster General, shall submit to the Congress a report on the implementation and development of the provisions of title I, the provisions of title 18 and title 39, United States Code, which are added by the amendments made in title II, and the provisions of title 18, United States Code, and the Tariff Act of 1930 (19 U.S.C. 1202 et seq.) which are added by the amendments made in title III, and the effectiveness of such provisions in helping to prevent and reduce motor vehicle-related theft.

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM ILLINOIS

Senator PERCY. Thank you very much, Chairman Danforth.

Before talking about the future and what I see as a bright future for this legislation and for the United States as a result of it, I would like just to take a comparable situation that occurred just about the same period of time and what has happened to that. It is a piece of legislation that we worked on closely together.

Some 4 years ago I introduced legislation called debt collection. I discovered that this Government is the biggest lending agency in the world. There are 18 agencies in the Federal Government that lend money, but we do not collect it very well. We get rid of it, but we do not get it back. And $239 billion is owed us, of which about $25 billion is in default.

We began working on legislation on that. This administration took hold of it. It is now enacted into law, and as a result we are going to net in the Treasury an estimated $3 billion this year, to be collected from such things as student loans, and doctors who have never paid their bills back to the Federal Government. It will mean billions of dollars flow to the Federal Treasury without a single tax bill being enacted.

That is the good side of that legislation. We finally got it through. The bad side on this is, it has languished for about 4 years. It was 4 years ago that I introduced the Motor Vehicle Theft Law Enforcement Act. The potential is huge for the Federal Treasury. It is hundreds of millions of dollars. This is more than a $4 billion problem a year for the American people. That is the cost to the American people of automobile theft, much less the inconvenience of doing without your car for a long period of time, and the uncertainty of knowing where it is.

You, Mr. Chairman, have taken a real interest in this, calling this hearing this morning with a distinguished group of witnesses to follow me. I think we can move this with vigor, move it through the Senate. It will be backed in the House. And I think it can be enacted into law, and again, it will be a flow of billions of dollars back to the American public.

The bill is starting to move. You have recognized, as have some others, that motor vehicle theft is a national problem that demands a national solution. As you know, we both have our fair share of criminals who operate on both sides of the Mississippi River, stealing cars one day under the Gateway Arch, and the next day in shopping centers near East St. Louis.

The close coordination between our secretaries of state and State police is essential between Missouri and Illinois, but this is a national problem, and we need national legislation, because we cannot enact adequate legislation in each of our respective States to even get a hold on this problem.

Some have asked why I have continued to pursue this legislation with the sponsors as vigorously as we have. The answer is simple. The problem has not gone away. In fact, the problem each year is getting much worse.

For example, let us look at the period from 1979 to 1981. In 1979, the recovery rate for stolen cars stood at 59 percent. Now, just com-

pare that to a generation ago. A stolen car used to be a joy ride for a 16-year-old, and 95 percent of the time—no, 99 percent you would find the car the next day some place, sometimes a few blocks or a couple of miles away.

We thought that the 59-percent rate was very bad. That was because 10 years before it was in the high eighties, that is, the recovery rate for stolen vehicles in the high eighties. Now the recovery rate is approximately 52 percent, and is continuing to go down.

The sophistication in the theft of automobiles has entered the computerized age. During the 3-year period, the theft of vehicles, including contents and accessories, has increased 17.6 percent. The ratio of vehicle theft offenses per 100,000 population increased from 1 in 70 to 1 in 62, and as a result, the value of vehicle theft property has increased 22 percent, from $3.4 billion to $4.1 billion.

With this worsening condition, insurance rates to cover the loss of stolen cars has skyrocketed. It is not uncommon for residents of major cities to pay from $200 to $300 for total coverage. In Metropolitan Chicago, a large insurer has told me that motorists owning a standard 1983 Chevrolet pay $332 annually for theft coverage, or 10 times the national average, while those in the suburbs pay about $100 for the same coverage. There are no more freeways in America, because we experience highway robbery every time we drive to work. Instead of paying direct tribute as in ancient England, we now write larger and larger premium checks to our insurance companies.

Because of these activities, S. 1400 starts us on the road toward curbing the thieves. There are two provisions in the bill which in my view are critical to an effective Federal antitheft program. The first would authorize the Secretary of Transportation to require the numbering of major crash replacement parts. These parts, such as doors and rear-end assemblies, are sought by the operators of so-called chop shops. For those who do not know, chop shops are clandestine garages where thieves strip stolen cars and take out the most expensive parts, which are sold on the black market.

Another part of the bill makes it a Federal crime to remove these numbers. It expands the Rico antiracketeering statute to allow the Federal Government to seize the illicit assets of major organized crime-related chop shop dealers. This hits them in their pocketbook, where it really hurts the most.

Some have said we do not need this bill because there is already too much Government regulation of the automotive industry, but for a $7,000 car, this argument simply does not ring true. With a $10 limit on the amount required to number the vehicles, the total cost to consumers is only one-third of the average annual premium for theft coverage. Some have said that component identification will not work. I shall defer to the experts on that issue. I would like to say that seasoned chop shop operators told us in 1979 that they routinely disposed of engines and transmissions of stolen cars that had unique identifying numbers.

Mr. Chairman, I think you will remember those hearings that we held in the Government Affairs Committee, where we both serve. The Permanent Investigating Subcommittee has the power to bring criminals out of Federal penitentiaries. We brought them out. We hooded them to hide their identity, and we set up mock chassis and

mock automobiles and gave them just the simple tools that they use in automobile theft, which is what finally put them in Federal prison. In a matter of seconds—one of them apologized—it took him a minute and a half, but he said, "You have to realize, Senator, I have been in jail for 2 years and I am a little out of practice. Ordinarily I could do this in less than 30 seconds."

He jimmied the window, shorted the ignition, started the car and could have drove it right off, if it had been for real. That is how fast they can steal them. What happens, of course, is, they steal them on order now. An order comes in. A car has been turned over to a repair shop. The front fender or the bumper on a 1979 Impala, purple, has been brought in for repair. Do they just buy those parts from Detroit? No, they send out an order. It is possible that it goes out on a computer. The thieves in syndicated crime have a card index. Where have they found a 1979 purple Impala? They go right out and steal one. Sometimes it takes almost a half a day for the car to show up and then for them to get it, but they case the place, they get it, bring it in the shop.

You are never going to find that car again. It is torn to pieces. All of the serial numbered items are dropped right into the river. All of the nonserialed items can be taken to the repair shop and delivered on order for less than the cost, obviously, from Detroit. No taxes paid. No questions are asked. There is no chance to get them. There is no evidence, unless an identifying number was on the fender, the bumper, or whatever. If there were, they would never have stolen them and taken them into the shop, because they would not have been able to have stolen goods without risk.

They testified to us that it is virtually a no-risk operation, and the profit margin is larger than any corporation in America earns today, and it is all tax free.

Only a few months ago, Judge Webster, Director of the FBI, told me that he supports this legislation and the component identification feature, because it will help improve law enforcement. Four years ago, both Judge Webster and the Justice Department supported this bill. I understand they still strongly support it.

We would not send law enforcement officers out on the street without bullets for their service revolvers. Neither should we deny them the tools necessary to reduce car theft. That is why the International Association of Chiefs of Police so strongly back this bill. The chiefs have taken the leadership role in the coalition to halt automobile theft. I helped launch the coalition 4 years ago, and they have been a source of great assistance and support in our efforts to educate the American public and the Congress about this issue.

Mr. Chairman, the American public wants something done to protect their most valuable possession outside of their homes. Hearing after hearing has documented the problem. The time to act is now.

As secretary of state in Illinois, Alan J. Dixon originated the "Illinois Plan" to check chop shop operations. The illicit salvage yards had their operating licenses lifted through administrative procedures set up by the secretary of state's office. Using aggressive enforcement procedures, Alan Dixon was able to prevent an increase in motor vehicle theft. When organized crime moved into adjacent

States to get out from under this effective enforcement, he set up an interstate organization to provide a coordinated effort to stop the choppers. This, too, has proven effective. The citizens of Illinois were fortunate to have Alan J. Dixon as their secretary of state.

This testimony is extremely important because, as we know, in the State of Illinois, as in many States, the secretary of state is a powerful office. My son-in-law, before he became Governor of West Virginia, was secretary of state. He is a Democrat. He is involved in this problem. Our present secretary of state is Jim Edgar, who won by one of our largest pluralities, and I think is one of the real rising stars in public life in the United States. They have a unique responsibility, the power to issue regulations, and yet with all of the power that that office has, they need national legislation.

I will be very pleased indeed not only to submit our previous secretary of state, Alan Dixon's, our colleague's testimony in the record, but will also join you, to welcome, when he testifies our present secretary of state, the Honorable Jim Edgar.

Senator DANFORTH. Thank you very much, Senator Percy. Let me just ask you one question before you join me up here. You first introduced this bill in 1979, did you not?

Senator PERCY. Yes.

Senator DANFORTH. What has been the problem in getting it enacted?

Senator PERCY. There is a reluctance on the part of some automobile manufacturers, and they are not without clout in Washington, to just add any cost. This does add $10 of cost, but as I say, for a carowner who is paying $300 more than he should for automobile insurance, he is financing an industry tax free that is a $4 billion industry over here. I should think the automobile manufacturers would see that it is in the interest of the overall effort that we enact this legislation.

Now, I am not putting all of the blame there. Let us take a little blame ourselves. We have a very, very heavy calendar, and it is just a question of scheduling it. But I can now say with some degree of assurance that you and I will be sitting on the scheduling committee with Senator Baker if it is reported out of the Senate and we can move it through the House, and we will get our colleagues, I hope, in both of our States to do that. Then we ought to see that it does get, at least in the Senate we can see that it is scheduled, because it is so cost effective.

As Everett Dirksen said, "a billion here and a billion there, pretty soon you are talking real money." Well, we are talking about billions of dollars, and just as in debt collection, that goes right back into the pockets of the Treasury and of the American consumers. Sometimes it is just lethargy. Now we have a chairman who I understand is really going to move this legislation along and give it the high priority that it really deserves.

Senator DANFORTH. Thank you very much. I do appreciate your joining me.

Our next witness is my successor as attorney general of the State of Missouri, John Ashcroft.

STATEMENT OF JOHN ASHCROFT, ATTORNEY GENERAL, STATE OF MISSOURI

Mr. ASHCROFT. Mr. Chairman and members of the subcommittee, I appreciate your concern over what has to be one of the greatest problems we face in terms of theft today. More dollars are lost to the crime of auto theft than any other larceny within our State.

I do not appear here without some good news. The number of motor vehicles stolen in Missouri dropped 11 percent last year to its lowest level since 1978. However, that does not really mitigate the fact that over 17,000 automobiles owned by Missourians were ripped off by car thieves last year.

We would like to think that some of the drop is related to our program, which is similar to that which is being proposed for national adoption. We have what is known as a vehicle identification program where citizens voluntarily etch in the glass of the doors and several other parts on several other locations in the car vehicle identification numbers voluntarily.

It is something that you can only get a limited number of people to do, and it is something which obviously has limited application, but I think it has been part of an overall program which I as chairman of the Governor's Crime Commission have been able to get limited involvement in, and I think it has had some positive impact.

Senator Percy has very clearly indicated the $4 billion national price tag. It is a price that is much too high to pay, and it is something about which we can do something. In less than 40 minutes, a car can be totally dismembered, chopped into parts for sale, and once a vehicle is cut apart and a few tagged parts are disposed of, identification of the remaining parts, including the expensive portions of the car body, identification of those parts is impossible.

A weakness in the current system is clearly illustrated by the fact that a multimillion-dollar car ring in St. Louis which was thought to be broken up 10 years ago, in 1973, was cracked again in subsequent years, and we really suspect that it was right back in business because it is very difficult to establish proof of auto thefts when cars are dismantled, dismembered, or chopped up.

The dismantled parts, it should be noted, are valued at a much higher price than the original vehicle. Buying all the replacement parts for a totally demolished 1982 subcompact car would cost nearly $27,000, or about 3.8 times more than the original sticker price. This is what makes the parts very valuable.

The Alliance of American Insurers reports that parts and paint costs added up to $26,787, excluding labor, for a 1982 Toyota Corolla two-door hatchback containing several options. The point is, the parts are very, very valuable. Stolen vehicles are a product. The market for unmarked but stolen automobile parts is a market which is tremendous, and we need to eliminate that market. It is something that we can do something about.

It is estimated that one out of every 140 registered cars is stolen. Over half the thefts are from private residences, apartment parking facilities, or residential streets. These are not just problems that are isolated in far-away places. A car thief, incidentally, is about 200 times more likely to become involved in a serious acci-

dent than the owner of the vehicle partially because of efforts to get away with the car.

We have taken some steps in Missouri, but I must indicate that I think major steps can be taken. Some of them are Federal, and the marking of car parts is something that has to be done nationally.

I need to commend our local law enforcement authorities for having developed in St. Louis County an auto theft task force. In the first 30 days of their existence, the force made several arrests and recovered over 140,000 dollars' worth of stolen parts. In 1982, another sting operation by the St. Louis Police recovered more than 50 stolen vehicles valued at over half a million dollars. The list could go on and on.

A major problem in the area of auto thefts is that many people tend to treat it as if it were a victimless crime simply because the loss is often borne by insurance companies. That is simply a shallow analysis which fails to recognize the truth of the fact that all of us pay the price. For no more than $10 per vehicle, the Motor Vehicle Theft Law Enforcement Act of 1983 will provide crucial protection to our citizens against chop shop operations.

I would like to emphasize briefly the importance of limiting the cost of a plan for marking vehicle parts. Missouri is the country's second largest automobile manufacturing State, and we are sensitive to maintaining a high level of production and not adding too much to the cost, but I believe a $10 limit on the increase in cost is a wise limit, and the expenditure, if necessary, of $10 to do this is certainly a wise expenditure in the interest of the consuming public of this country.

With the additional markings the act will require, the market for stolen parts would be substantially impaired, since legal rebuilders of parts would shy away from parts which have had the numbers removed or altered in some way. The additional numbers would certainly assist law enforcement officials in detecting stolen cars and vehicle parts.

The other provisions of the act to increase the Federal criminal penalties for persons trafficking in stolen motor vehicles and their parts, to establish more effective procedures to reduce exporting of stolen motor vehicles and off-highway mobile equipment, and to establish a task force to study antitheft measures for State motor vehicle titling programs are indeed promising areas.

A number of things that I can recommend already, which include special types of paper which makes forgery of title difficult, if not impossible, are things that ought to be considered also in that task force.

I am pleased to report that last month our general assembly in Missouri passed legislation which tightens Missouri's salvage law, making it more difficult for the sale of stolen vehicles for salvage. The State of Missouri has taken the steps that we believe we can take, but it is time for the Federal Government to move to do nationally what needs to be done to protect the consumers of this Nation from the inordinate problem and high level of auto thefts.

Millions of dollars would be saved by Missourians, billions nationwide, with the passage of the Motor Vehicle Theft Law Enforcement Act of 1983. It is clear that this legislation will not prevent all auto thefts, but it will give law enforcement officials a

fighting chance in a very significant and mounting struggle to prosecute chop shop operators.

I thank you for your concern in this matter.

Senator DANFORTH. Thank you very much, John. I think a lot of people when they think about car theft think about amateur car thieves, maybe kids who go out and steal a car, but as I remember, when I was in your job, car theft was a highly professional operation even then. I recall one of the toughest criminals with whom we had just a constant battle in the Attorney General's office was a man who was a car thief. His basic line of work was to steal cars in the St. Louis area, take them down to southeast Missouri, where he had an operation, and he would cut the cars up, and it was very, very hard to catch him. For one thing, he had the place surrounded by extremely vicious dogs. I can remember talking to him about law enforcement, and people would say, why do you not stake the place out? Well, we said, we cannot, because he had these dogs around.

So I think it is important to recognize that this is not some amateur operation. These are people who operate as true professional criminals. They are not the kind of people who are likely to be rehabilitated. They are not the kind of people who are likely to turn over a new leaf or have second thoughts about their criminal activity. They are in it for money, and they have been in it for money often times for a lot of years. They are making a lot of money. It is highly, highly profitable.

I do not know if you would care to comment or elaborate on that point, but I recall it very clearly. In talking with prison officials, and in talking about the census of the prisons, that is, what kinds of people are here, they claim that the people with the worst recidivism rate were car thieves and maybe bad check people, but people who were really in it for the money.

Mr. ASHCROFT. The people at the center of the operation frequently have not done the taking of the cars themselves. They have other individuals taking the cars. They end up in many circumstances facing "tampering with a motor vehicle" type charges, and we have had to strengthen those aspects of our laws because the persons really operating and taking the profit, and if there were ever an obscene profit, it is in this business, they minimize their risks, and they end up facing charges even when caught that are not susceptible to long sentences. They view those risks as a cost of doing business.

We have about 27,000 open cases in Missouri of cars that have not been recovered. The tragedy of that is that we firmly believe that most of those never will be. We do not believe they exist as cars any more. They have lost their existence as cars. Those cars have been merged into other cars.

Let me give an example. Not long ago a raid on a St. Louis auto supply dealer netted 200 vital parts called T-tops for certain kinds of automobiles. It was pretty clear that those were not part of an inventory that was properly obtained or maintained, but there was nothing that could be done. The parts were unmarked, and it was impossible for us to match them with cars that we knew had been stolen. Our ability to take action was lost.

I think the marking of the parts would significantly strengthen our ability to move forward in this area, and I believe that is a requirement that can only be federally mandated. There is nothing the State of Missouri can really do in terms of asking car manufacturers to mark additional parts.

Senator DANFORTH. As you know, one of the concerns that we have is the cost of regulation, and an attempt to balance the cost with the benefit. Is there any doubt in your mind that the cost of marking, numbering parts of automobiles would bear fruit, and have economic benefits to automobile owners?

Mr. ASHCROFT. I have no doubt in that respect. The cost of automobiles has skyrocketed. I think the average cost of a General Motors car is about $10,000 now. It is hard to buy a car for less than that. We are still marking basically the same parts that we were marking 20 or 30 years ago, although we are investing significantly more in our cars.

I think that technology has advanced, but there is also a technology in stolen cars, and it has changed. The same philosophy which required us to put any marks at all on all engines years ago now requires us to put marks on more places in cars. The additional value of those parts of cars, I think, justifies it. I have no doubt that this is a cost justifiable measure. It is cost beneficial to the people of this country.

Senator DANFORTH. Senator Percy?

Senator PERCY. I was just thinking, Mr. Attorney General, that you said the cost of cars averages $10,000. Well, I was just thinking about how much I paid for my first automobile in 1937 as a freshman at the University of Chicago. I paid $125, and that was a lot of money, for a 1937 Ford. In order to get my money back, I rented it out nights for $1 a night if you wanted to drive it and 50 cents if you just wanted to sit in it.

Mr. ASHCROFT. Well, when I was at the University of Chicago, the prices had gone up so much that I took the El.

Senator PERCY. I have just two quick questions. We hear a lot about the traffic back and forth on the Mississippi River bridges. A car is stolen on one side and taken over on the other to get rid of—to be chopped up or whatever. How heavy is that traffic? Do you have any figures at all on how much interstate movement there is and activity?

Mr. ASHCROFT. No, I do not. I think the potential for the interstate movement is both before and after the chopping operations. Certainly once a car is dismantled or dismembered, the parts become available on a broad level, and are shipped all around.

Senator PERCY. You have testified as to how many things have been done under your leadership and the Missouri secretarys of state to clamp down in Missouri, and you have done a lot of things. Why, then, is Federal legislation necessary? Would you reiterate again why, no matter how much you do in a State, you simply still need Federal legislation?

Mr. ASHCROFT. I do not think we could really tolerate nationally a system where a whole series of States would seek to impose a variety of different requirements for auto manufacture on the auto manufacturers. That would not result in something cost beneficial or cost justifiable, but I believe federally mandating something that

the manufacturers can put into their production operation that would give the States the tools with which to enforce their laws has wisdom to it.

We have done all kinds of voluntary things, and we have made a little dent in a problem that still costs Missourians about $87 million a year. We need some assistance now in expanding our ability to curtail that problem.

Senator PERCY. And on the cost aspect of it, at $10 per vehicle, is there any single owner of an automobile in Missouri or Illinois who would not gain as a result of this in savings in insurance premiums and also in the lesser opportunity for theft by making that $10 expenditure that the manufacturer would incur?

Mr. ASHCROFT. I think even my wife Janet, who is tighter than the bark on a tree, would be pleased to spend $10 in acquiring a car which would have the potential for curtailing auto theft that this bill offers us. I think it is cost beneficial, and I believe it would benefit all of the consumers of automobiles.

Senator PERCY. Well, let me say that we do not alter the record in the Senate, although I understand they do in the House. I would give you permission to alter that to "especially my wife," not just "even my wife."

Thank you very much. We very much appreciate your testimony.

Senator DANFORTH. Thank you, John.

[The statement follows:]

STATEMENT OF JOHN D. ASHCROFT, ATTORNEY GENERAL, STATE OF MISSOURI

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear here today. I come to tell you of a growing problem of major proportion in Missouri and across the nation—a problem which cannot be remedied without your assistance. More dollars are lost through the crime of auto theft than by means of any other larceny within our state.

I do not appear before you without some good news. Because of stepped up law enforcement efforts and vehicle security awareness programs, the number of vehicles stolen in Missouri has dropped 11 percent from last year, to its lowest level since 1978. However, the bad news is that more than 17,000 automobiles owned by Missourians were ripped off by car thieves last year.

But even worse, sophisticated techniques of handling stolen cars steadily are pushing up the percentage of motor vehicles which are never recovered by law enforcement entities. Currently in Missouri alone there are 27,067 active cases of non-recovered automobiles. When using FBI average price figures, those cases carry a price tag of more than $87 million dollars in losses to Missourians over roughly the last 5 years.

With more than 1 million automobiles stolen every year, the nationwide economic loss is literally billions annually. Federal figures show that more than $3 billion worth of property is lost annually in car theft and another $1 billion is spent for investigation and prosecution of auto theft cases.

Currently, most automobiles have identification numbers in four places—the engine, the transmission, dash, and on a portion of the fire wall. At one time, the marking of an automobile's engine and transmission may have proved sufficient to identify motor vehicles. But today's biggest problem is not the identification of stolen automobiles, but the complete lack of means to identify stolen automobile parts. So-called "chop shop" operators often escape prosecution in a hole big enough to drive a stolen Mack truck through.

In 40 minutes—less time than it takes many to commute to work—a professional can completely chop a car into parts for sale. Once a vehicle is cut apart and the few tagged parts disposed of, identification of the remaining parts—including expensive portions of the car body—is virtually impossible. For example, a recent raid on a St. Louis auto supply dealer netted 200 T-tops. But no arrests have been made.

A weakness in the current system is clearly illustrated by the fact that a multi-million dollar car ring in the St. Louis area which was thought to be broken up in

1973 was cracked again in 1980—7 years later—and authorities suspect that the ring is "right back in business" because of the difficulty in establishing proof of the thefts.

The dismantled parts are often valued higher than the vehicle's original purchase price. Buying all the replacement parts for a totally demolished 1982 subcompact would cost nearly $27,000 or about 3.8 times more than the original sticker price. The Alliance of American Insurers reports that parts and paint costs added up to $26,787, excluding labor, for a 1982 Toyota Corolla two-door hatchback containing several options.

Stolen vehicles are a product. The market for unmarked but stolen automobile parts is tremendous. We must eliminate that market. Cars presenting the most popular targets for thieves in Missouri include the Oldsmobile Cutlass, Chevrolet Monte Carlo, Chevrolet Camaro, Chevrolet Impala and the Ford LTD.

It is estimated that 1 out of every 140 registered cars is stolen. Over one-half of the thefts are from private residences, apartment parking facilities, or residential streets. A car thief is 200 times more likely to become involved in a serious accident than the owner of that vehicle.

We, in Missouri, have taken substantial steps in curbing automobile theft—with partial success. Our Highway Patrol's auto theft unit has been aggressive in enforcing the law. As a result of their efforts, registration of auto salvage businesses has tripled in the past 3 years.

Stepped up efforts by a combination of federal, state and local authorities have also contributed to our state's reduction in stolen cars. Several St. Louis County local police departments recently banded together to form an Auto Theft Task Force. In its first 30 days of existence, the Force made several arrests and recovered over $140,000 worth of stolen automobile parts.

In 1982, another sting operation by St. Louis police recovered more than 50 stolen vehicles, valued at over half a million dollars and arrested two dozen people.

Furthermore, in recent years the Governor's Crime Commission, of which I am Chairman, has joined with the insurance industry to conduct "lock your car" campaigns in Missouri to heighten awareness of automobile security measures. While these efforts have contributed to the reduction in numbers of stolen automobiles, they have not had a significant impact on the rate of recovery for stolen vehicles.

These steps taken by our state and local governments, worthwhile as they have been, have not proved sufficient. We need a more effective deterrent. In search of such a measure, several years ago my office, in conjunction with local law enforcement agencies, instituted a Vehicle Identification Program—VIP for short. VIP is a voluntary program which provides Missourians assistance in the marking of vehicle parts with the vehicle identification number. VIP is designed to protect vehicles against theft. Motorists participate in VIP by having their vehicle identification number engraved with a fine pointed marking tool on window glass and other locations. A warning decal indicating that the car has been "marked" is placed in a highly visible place, creating a deterrent to theft. But development of our VIP program has revealed the difficulty of maintaining widespread, long term participation in a voluntary, consumer-based program. It has demonstrated the need for a broader system of vehicle part identification instituted through our automobile manufacturers.

A major problem in combatting auto theft is that so many people tend to treat it as though it were a victimless crime simply because the loss is often borne by insurance companies. Of course, the theft loss claims paid to individuals to lessen their personal economic loss are eventually recovered though higher insurance premiums, so we all pay for auto theft even though we may never have a vehicle stolen. Until all valuable parts on a motor vehicle are marked, chop shops will continue to prosper. For no more than $10 per vehicle, the Motor Vehicle Theft Law Enforcement Act of 1983 will provide crucial protection to our citizens against "chop-shop" operations.

At this junction, I should briefly emphasize the importance of limiting the cost of a plan for marking vehicle parts. As the county's second largest automobile manufacturing state, we in Missouri are sensitive to the need to maintain the nation's competitive strength in motor vehicle production. This legislation wisely limits costs to an amount that should not be a significant burden, especially in view of the potential savings in insurance costs if we make real progress against automobile theft.

With the additional markings the Act will require, the market for stolen parts would be impaired since legal rebuilders would shy away from those parts which may have had the numbers removed or altered in some way.

The additional numbers would certainly assist law enforcement officials in detection of stolen cars and vehicle parts and provide probable cause to impound a good many more vehicles if any of the numbers are tampered with.

Other provisions of this Act—to increase the federal criminal penalties for persons trafficking in stolen motor vehicles and their parts; to establish more effective procedures to reduce exporting of stolen motor vehicles and off-highway mobile equipment; and establishing a task force to study anti-theft measures for state motor vehicle titling programs—are vital improvements now long overdue.

I am pleased to report that last month our General Assembly in Missouri passed a legislation which tightens Missouri's salvage title law, making more difficult the sale of a stolen vehicle for salvage. The State of Missouri has taken the steps within its power to put the clamps on auto theft. I ask you to tighten those clamps more.

Millions of dollars would be saved by Missourians—billions nationwide—with the passage of the Motor Vehicle Theft Law Enforcement Act of 1983. It is clear that this legislation won't prevent all auto thefts. But it will give law enforcement officials a fighting chance in the mounting struggle to prosecute chop shop operators.

Thank you.

Senator DANFORTH. Our next witness is Jim Edgar, secretary of state of Illinois.

Senator PERCY. Mr. Chairman, with your permission, as Jim Edgar approaches, I would like to say that we have been very, very proud indeed of Jim Edgar in Illinois. He is truly not only an immensely popular public official, but he has in everything that he has done in the conduct of his office earned the huge pluralities that he wins, and he adds credit to all of us in public life by a sense of decency, fairness, and justice. His relationship with his own people in the department, and it numbers into the thousands, is extraordinary. He has built a high morale. He has been a tremendous credit to public officials. I work with him closely as a friend and colleague. We are very, very proud of him in Illinois, and I am proud of the cooperation that he is establishing between Missouri and Illinois in these and many other areas of mutual interest where we can work closer together.

Senator DANFORTH. If you would like to order a copy of that tape, we would be happy to supply it for you.

STATEMENT OF JIM EDGAR, SECRETARY OF STATE, STATE OF ILLINOIS

Mr. EDGAR. Thank you very much, but I do want to make it clear that I am not a candidate for U.S. Senate from the State of Illinois.

I am delighted to be here today. I appreciate the opportunity to testify on S. 1400, sponsored by Senators Percy and Dixon. I believe this legislation will greatly assist the efforts of law enforcement officials and motor vehicle administrators throughout the country in combating auto theft and the proliferation of the chop shop industry.

In Illinois, I am the chief motor vehicle administrator. In my office, I have 160 uniformed police personnel. One of their major responsibilities is combating auto theft. My office is also responsible for the licensing and inspecting of automobile dealerships, automobile recyclers, and scrap yards.

This legislation is especially important to Illinois because our State is a major transportation crossroads. It is crisscrossed with thousands of miles of highways and rail lines, and is a national hub for air and shipping travel. Unfortunately, Illinois central location and excellent transportation system also make it a major

crossroads for stolen vehicles and vehicle parts. From 1971 through 1981 in Illinois, motor vehicle thefts have ranged from a reported 50,000 to as high as 60,000. In 1981, the latest figures available indicate there were approximately 53,000 thefts in our State.

From my perspective, the most significant aspect of this legislation is the requirement that additional parts of new vehicles be marked by the manufacturers than those that are presently being marked. One of the major problems in combating auto theft today is the interstate passage of stolen vehicles and parts. Many of the parts from vehicles stripped in one State end up in another, where there is either a better resale market or less of a possibility the theft will be detected.

Marking more parts on new vehicles will make it more difficult for thieves to do business interstate and make it easier for law enforcement officials to catch those who operate in a single State.

Automobile parts presently bearing a factory-affixed vehicle identification number are the engine, transmission, cowl, driver's door, and the dashboard. I would suggest that the following highly sought parts be marked with the vehicle identification number: fenders, hoods, trunks, all doors, and T-tops.

Those in the chop shop business often steal a vehicle for a single part, leaving engines and other easily traceable parts behind. Most often the thieves are after a sheet metal part like fenders or doors, which are presently unmarked and easily disguised with a new coat of paint. So, it is critical that these additional parts be stamped with the VIN number at the factory to give law enforcement a means of tracing these parts.

There have been a number of cases in Illinois in recent memory where thieves were prosecuted for a small percentage of the parts they had stolen or the apparent thief could not be prosecuted at all due to a lack of any identification on major vehicle parts. In one case, the secretary of state's police department learned from an informant of an upcoming delivery of several truckloads of stolen parts from Illinois to Oklahoma.

Although the thief was prosecuted in this case, most of the parts discovered in the apprehended vehicles had to be returned because they were unmarked.

Last year, Illinois State Police officers stopped a truck on an interstate that was carrying what appeared to be stolen new or like new parts. The apparent thief and parts had to be released because none of the parts had vehicle identification numbers. The Illinois State Police stopped another truckload of apparently stolen auto parts last year, but were able to identify only one hood, since the rest of the truckload lacked any marking.

There also have been cases where my office's inspection of automobile recyclers and scrap yards for stolen parts were stopped cold because many apparently stolen parts were unmarked.

In short, to do anything well, the proper tools are necessary. By requiring that additional vehicle parts be clearly marked with a vehicle identification number would give law enforcement officials and others involved in the fight against auto theft additional tools that are sorely needed.

I also wholeheartedly endorse the creation of the Federal task force to study the auto theft problem on an ongoing basis as pro-

posed in this legislation. In the Midwest, the Midwest Auto Theft Task Force, which Senator Dixon helped create when he was Illinois' Secretary of State, has been, I think, an effective organization at the regional level. Consistency in laws and regulations among States is an important deterrent to auto theft crimes. A national task force could have a profound impact by promoting such uniformity.

In closing, I would just like to echo what already has been said. This legislation at the Federal level would be of great assistance to us at the State and local level. I think Illinois as well as Missouri and other States have done many things, but we are limited on how much we can do. This is an interstate problem, and I think it is going to take national action to really solve it.

I am happy to be here in support of this legislation, and hope that it will pass in the very near future.

Senator DANFORTH. Thank you very much.

Senator Percy.

Senator PERCY. Secretary of State Edgar, some manufacturers have claimed that component identification simply cannot work, and that it is needless Government regulation. Having introduced the original legislation in the Government Affairs Committee to eliminate senseless, needless Government regulation, I thought twice about this. I asked again if it were cost effective. I decided that it was, but why do some manufacturers claim that it is not needed? Do you agree with that assessment of component identification?

Mr. EDGAR. Definitely. I think we are all concerned about Government overregulation and not trying to create any more problems for the private sector than we already have created in the past. However, I think there are good examples of where those parts that are currently marked are very often left by the auto thief. I think it is apparent that they know they are marked and they do not want to touch that part. They only want those parts that are not marked.

I think there is example after example throughout this country where the parts that are stolen are the unmarked parts. The parts that I mentioned are expensive parts. They are highly sought after by auto thieves, and I think if they were marked we could eliminate a lot of that. I am convinced in my mind of this. You quoted the insurance rates in Illinois. That alone, I think, in our State justifies the additional $10 cost.

There is another thing, too. I think it would begin to dry up a major source of revenue for the crime syndicate in this country and in our State. I think it is extremely important that we do all that we can not only to help reduce insurance costs to our constituents back home, but also to dry up a very lucrative market for the syndicate.

Senator PERCY. Why is it particularly important to expand Federal criminal laws and particularly the antiorganized crime, the Rico statute?

Mr. EDGAR. Well, we know in Illinois that our biggest problem on auto theft is vehicles that maybe have been stolen from Illinois, they go to another State, and they come back, or maybe they are parts from another State. This is one crime that is definitely inter-

estate. So any action at the Federal level to strengthen the Federal laws I think would go a long way in deterring the criminal element from being involved in this, especially in crossing State lines.

There is no doubt, I think, in Illinois, and I would suspect throughout the Nation, that the syndicate is very heavily involved in this particular aspect of crime in our State. Any way that you can strengthen the Federal laws to again make them think twice before they do it I think would be very helpful.

Senator PERCY. I know that we are both very proud of Chicago's leadership position in many areas, the financial community, manufacturing, retailing, and so forth, but to be a leadership activity and city in organized crime is not anything we are very proud of. But we do not hide it, and we need to get to the bottom of it.

You follow this very closely. How involved is organized crime in chop shop operations in Chicago, and how important are chop shop operations in Chicago as related to the rest of the country, and what impact does it have on the country?

Just before the investigating subcommittee held a hearing in Chicago last February, a major organized crime figure linked to chop shop operations was murdered because he was cooperating with the authorities. Could you bring us up to date on the activities of organized crime in this area?

Mr. EDGAR. I cannot speak for organized crime.

Senator PERCY. Well, tell us about it. Do not speak on behalf of it. I will correct the record to that extent.

Mr. EDGAR. Well, I think it is well known in Illinois, in the Chicago area, that this is a major area in which organized crime is involved. In fact, the south suburban area of Cook County, there I do not think a month or two goes by without someone being shot or involved in turf battles regarding who is in charge of stolen parts. Our police along with bistate units from Illinois and Indiana work very closely together, which I think is a good example and one that can be used throughout the Nation. A few years ago, Illinois began to move into the auto theft problem, particularly chop shops. We saw a lot of them pick up and go across the State line into Indiana, just a few miles away. Now Indiana and Illinois law enforcement officials are working jointly. They have a joint unit that has been very effective. I think it has given organized crime fits in their efforts to try to dispose of these stolen parts.

I think it is very important when we talk about this problem that people understand that stolen parts is the key to this. It is not often that a car is stolen and stays intact. It is stolen and very quickly divided up into the key parts that are unmarked. That is where the money is made. So, we constantly are involved in raids in that part of the State, trying to close down these chop shops, but they are still there.

I mean, we have made some dent. As Missouri has indicated, it has made some dent with the State laws, but we still have a problem of tracing those parts. No matter how well we stake out a place or how good our information or tips are, if we do not have the evidence on the parts to convict, we are not going to make a major dent in auto theft. It is a problem in Illinois, and it is something that I have said we think we have done about as much as we

can with the current laws and with the manpower that we have available.

Senator PERCY. The Secretary of State in our State has always one of the best-known names of our State. It is on our driver's licenses. In fact, I ran against our Secretary of State, Charlie Carpentier, when I ran for political office 20 years ago. I know the power of that name.

I have one last question for you then. Can you put yourself in the shoes of every citizen in Illinois, and you do work with Missouri, so I will say every citizen in Illinois and every citizen in this country? How would you sum up what benefits an average citizen would get by passage of S. 1400?

Mr. EDGAR. I think the most obvious is, I think we could reduce insurance rates. There is probably nothing that upsets the average citizen more than paying auto insurance. There are a lot of facets that I hear about in my position, and it is not a fun thing to pay. You do not get anything back for it usually. When you do, you are usually kind of frustrated. So I do not think there is any doubt in our State and, I think, in other States, too, that if we had more effective antiauto theft laws, we could cut down insurance rates. That would be a big plus.

I think secondarily, and maybe a lot of people do not appreciate it, I think we could make an inroad in trying to curtail the activity of organized crime, because this is such an important source of revenue to them.

I think both of those are something that the public would welcome. I think this legislation, if enacted, could play a major role in achieving it.

Senator PERCY. Thank you very much indeed.

Mr. Chairman, I have a request to make of you in either your capacity as a powerful member of this committee or the Finance Committee. Both committees create commerce for this country, and are the ones that have to collect the revenues to run the Government. I asked my staff, and we just did not have the figure, but we know what the cost is. It is now an over $4 billion cost of stolen automobiles, but what is the net cost to the Government? Because every insurance policy on a vehicle owned by a business that is paid is deductible as a business expense. That goes right out of our taxes and goes otherwise to the Treasury. We can write of uninsured losses. That comes out of the Treasury. But what is the cost to the Treasury, and how much would we restore to the Treasury if we could just enact this one simple piece of legislation? That would really be a major blow against organized crime, against the chop shop, and against the inconvenience and cost of automobile theft. If we could get that figure from either one of the committees, I think it would be helpful for the record. Thank you.

Senator DANFORTH. Yes.

Mr. Secretary, let me ask you one question, if I might. Could you explain how the car theft business works as you understand it? Just lead us through the operation of the business, if you will, so that we could have a record of it.

Mr. EDGAR. I think, as was indicated earlier, it is a very sophisticated business. It is not just somebody deciding they want to steal a

car. It is much more sophisticated, and very common that someone might put out a request for a certain part of a vehicle.

Senator DANFORTH. Someone being whom?

Mr. EDGAR. A used part dealer or a repair shop. Say I need a fender for a 1976 Chevy. They even computerize it. That will go to a chop shop or a salvage place or even a used part place that looks like it has a reputable business, but it is dealing in stolen parts. They will put the word out, and they will steal it. They will take that part off. That part will come to the body shop. The car that is being worked on will be worked on right there. It will be painted over, and the next day no one will ever know the difference or where the parts came from.

Senator DANFORTH. So if I am in an accident, and I have a fender that is wrecked beyond repair, I would take my car into a body shop and they would, instead of ordering the replacement part from the manufacturer, the main automobile company, they would somehow put out a notice that they need a fender, and in response to that order, someone would go out, not from that shop, but somebody else would go out and steal a car, and bring the car in, set it up, and sell the part to the body shop. Is that it?

Mr. EDGAR. Yes, but there is one thing I want to make clear. All body shops do not operate this way. There are a few, but there are enough that are involved that it has become a very lucrative business, and it will occur overnight. It will not take weeks to happen. It is also possible that they might stockpile parts which are stolen parts, common parts that are used very often.

We have attempted to check the record. One of the things we have done in Illinois in our laws is to give my office the power to check the records to see if they have receipts for their parts, but again, those can be doctored up if you do not have the VIN number on those parts to be able to check that out.

Senator DANFORTH. Now, let us suppose that I was in the car theft business. Would it not be much more to my advantage to steal an automobile and then attempt to resell the automobile somewhere than to steal, say, a 1982 Buick and begin cutting it up and selling a door here—let us say there was an order for a door. How would I ever make much of a profit in that way? It would seem that I would be in much better shape if I kept the car intact and sold it intact.

Mr. EDGAR. First of all, it is easier to trace an entire vehicle by the registration number, titles, and so forth. There are still problems between States. In some States it is easier to have a vehicle become a salable vehicle and then supposedly it appears as a new car someplace. Again, I think the States need to work together to resolve that. But we have come a long way together in the last few years.

As far as the profitability, your overhead is not really high if you steal the car, so if you can sell those parts, parts are extremely expensive, more so than you would think, even for the high cost of a car now. So it is lucrative.

Also, it is much safer. You run a much greater risk if you keep that auto intact, because there are the various VIN numbers and the registration on the car itself. It is much harder to launder that through intact.

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Senator DANFORTH. And those parts of the cars that are marked by the serial number, are they disposed of or are they kept by the chop shop operator?

Mr. EDGAR. It has been our people's experience that very often they are never recovered. Often we hear that 55 or 60 percent of the vehicles are recovered. That is a misleading statement. Parts of the vehicle are recovered. They will leave those marked parts right there wherever they strip the vehicle, and you can recover that, but the parts that are not are what they take, so even though you might recover the vehicle, it is not intact totally, and pretty well damaged.

Senator DANFORTH. They abandon the numbered parts of the vehicle?

Mr. EDGAR. Yes; they just stay away from them. That is why I think it is a good indication that if we mark the other parts, they would stay away from those also.

Senator DANFORTH. Thank you very much.

We now have a panel consisting of the following: Lt. Richard D. McQuown, commander, Auto Theft Section, Justice Cabinet, Department of State Police in Kentucky; Mr. Paul Gilliland, president, National Automobile Theft Bureau; Mr. V.J. Adduci, president and chief executive officer, Motor Vehicle Manufacturers Association; and Mr. Donald W. Baker, director of Loss Prevention and Security, National Car Rental System.

If I have mispronounced any of your names, please set me straight. Lieutenant, would you please proceed?

STATEMENTS OF LT. RICHARD D. McQUOWN, COMMANDER, AUTO THEFT SECTION, JUSTICE CABINET, KENTUCKY STATE POLICE; PAUL GILLILAND, PRESIDENT, NATIONAL AUTOMOBILE THEFT BUREAU; V. J. ADDUCI, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MOTOR VEHICLE MANUFACTURERS ASSOCIATION, ACCOMPANIED BY FRED BOWDITCH, VICE PRESIDENT, TECHNICAL AFFAIRS; AND DONALD W. BAKER, DIRECTOR OF LOSS PREVENTION AND SECURITY, NATIONAL CAR RENTAL SYSTEMS, INC., ACCOMPANIED BY SETH KAMINSKY, VICE PRESIDENT OF SECURITY, AVIS RENT-A-CAR SYSTEM

Lieutenant MCQUOWN. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am honored today to be here to represent law enforcement. I am here to represent the International Association of Chiefs of Police and the International Association of Auto Theft Investigators.

Since I testified in 1979 last on this bill, we have found a marked increase in auto theft. The increase really has not risen as much as the lack of recoveries. What we have had since 1979—at that time a 60 percent recovery rate on stolen vehicles has dropped to a 52 percent recovery rate, so the problem has worsened.

The International Association of Chiefs of Police and the International Association of Auto Theft Investigators both strongly support this bill, S. 1400. I am here today to voice law enforcement views of this bill. The Association of Chiefs of Police represents several thousand leading police administrators throughout the world, and the Auto Theft Association represents 1,000 members.

The crime that we are addressing here today is very difficult for law enforcement to enforce, the problems being that State laws do not solve national problems. That is, one of the problems that we have here today is because vehicles are not marked. That is the reason that law enforcement cannot identify these vehicles.

We have a situation where the parts are removed. Virtually the vehicle is cannibalized. It is comparative to the slaughter of an elephant to get its ivory. You are talking about a vehicle worth about $20,000 just to get 5,000 or 10,000 worth of parts off it, and then it loses its usefulness in the process.

The problem with the lack of identification numbers on these vehicles, Mr. Chairman, is that if we have no number to obscure, we have no violation, therefore no prosecution. The marking of additional numbers on the component parts of these vehicles we feel will be a great step forward on the law enforcement side in the problem of vehicle theft.

The statute that we are addressing prohibits removal and also has seizure and forfeiture provisions. It has provisions for trafficking in vehicles and vehicle parts. We also want this bill to include the crime of vehicle theft into the Rico violations.

The jurisdiction that we have in law enforcement is with States and counties and cities generally stopping at their line of jurisdiction, the city limits, the county line, or State line, and we cannot effectively combat the problem of vehicle theft with this type of State legislation on a statewide basis.

The States cannot uniformly pass legislation that would affect the entire United States. We have the vehicle identification program that we started in Kentucky in late 1980, called the VIP program. The secretary of state of the State of Missouri has addressed that issue. We feel the program has been very successful.

We have marked 60,000 vehicles at this point in the State of Kentucky with our program, marking all of the glass and many component parts. Of the 60,000 vehicles that we have had marked, three were stolen, two were immediately recovered shortly thereafter, and one is still missing. We feel this is a remarkable record of the recovery of stolen vehicles with this program.

We feel it is an effective deterrent, and that it challenges the claims of the automotive industry that the additional marking is not effective. We believe it is effective. I think the statistics will show this. Again, we cannot combat a national problem with a statewide program.

We have a videotape that I brought with me today that I would like to show you at this time. We might have to cut the bright lights, Mr. Chairman, if there is no problem. I will highlight the video for you. It shows how quickly a vehicle can be stolen. It shows how tools are easily ordered to perpetrate these thefts. We have a demonstration of entry of the vehicle, a demonstration of a chop shop operation and a salvage switch operation. We have the hot lines, the long line intercom systems that the salvage dealers use to transport these parts across State lines in multi-State operations.

And it is going to show the unloading of a stolen Chevrolet pickup out of the State of Tennessee and being delivered into the State of Kentucky. The film also shows the payoff to the buyer. A

salvage dealer in the State of Kentucky, from the thieves out of Tennessee, and it shows the magnitude of the problem. This was a $1 million a year operation. We recovered 112 stolen vehicles out of a 300-car salvage yard, actually it shows the magnitude of the problem very graphically.

We will turn the film on and show it now.

Senator DANFORTH. OK. Can we kill that bright light in the back, please?

Senator PERCY. I hope, Mr. Chairman, an opponent of this legislation is not responsible for pulling the plug on us in the midst of that testimony. We seem to be having some trouble with the screen.

VOICE FROM THE FLOOR. Mr. Chairman, someone will have to turn the room lights back on, because that cut the power that operates the video tape machine. I think the room lights need to be turned on.

[Pause.]

Lieutenant MCQUOWN. This video runs 9 minutes and 27 seconds. It is condensed from approximately one-half hour.

[Whereupon, a film was shown.]

Senator DANFORTH. Thank you, Lieutenant.

Senator Percy.

Senator PERCY. Mr. Chairman, with your permission, I would like to make a comment. I think that film—and let me say I am sorry that our panel, those who have not seen it, could not see it, or all of those in the audience could not see it if they were not visible to a set. Having spent 28 years of my life in the photographic business, I always feel a picture is better than a thousand words, and that film dramatically illustrated what we are really up against.

Regretfully, I must leave to chair the regular business meeting of the Foreign Relations Committee, which is convening in just a few moments, and I will not have a chance to question the panel, but I would like to address a comment to Mr. Adduci, representing the industry, the automobile manufacturers.

I notice in your testimony—I looked it over—that you indicated the industry would support a voluntary program of identification and so forth, and you categorically state that this industry is interested in minimizing the cost and inconvenience produced by theft, and in maintaining the commercial viability of our products. You also say domestic manufacturers would consider a voluntary component identification program conditioned upon a commitment to vehicle theft prevention by other affected groups.

I think those statements are encouraging and helpful. I have had the privilege of working with your industry, as you know, for probably four decades. I try to keep in close touch with the chief executive officer of every major American manufacturer, and have commiserated with your miseries over the last few years and the troubles you have had, because you are a forerunner, and we rejoice in a 53-percent increase in sales of American manufactured automobiles. I think we deserve that kind of increase, because the industry has worked very hard to really update their models, to adapt them to the marketplace. They are ahead of us in any legislation that we could have passed.

In this area, I would hope you would lead us, unless you find reason not to. I would really like to call my friends in the industry and talk with them about this, and see if we cannot work out something where the industry and the Congress of the United States will work together on this common problem.

I just want to say on behalf of my wife and myself, we did the best we could to help the industry. We bought two brand new American manufactured cars last year. I might say both of them were made in the State of Illinois, and both of them are far better than any foreign car either one of us has ever driven.

Thank you very much.

Mr. ADDUCI. Thank you for those comments, Senator.

Senator PERCY. Thank you, Mr. Chairman.

Senator DANFORTH. Thank you, Senator Percy.

Lieutenant, did you have any further comments?

Lieutenant MCQUOWN. Yes, Mr. Chairman. What you saw in this video took almost 3 months of constant surveillance and investigation of this ring to recover the stolen vehicles. The photographs that you see on your left, all of those parts were recovered out of that salvage yard. They either had no numbers on them to begin with or what numbers were there were removed. The theft ring was prosecuted. They received 5-year sentences on all counts, and we spent approximately 3 months in the barn surveilling this entire theft ring operation, and they were shock probated in 45 days.

Senator DANFORTH. They were what?

Lieutenant MCQUOWN. Shock probated and released in 45 days for a million dollar a year operation. There is a lot of money in these operations. It is a very lucrative business, with very little risk, and I think you can see the magnitude of it by the video that was shown.

Senator DANFORTH. What is shock probated?

Lieutenant MCQUOWN. Shock probation is a concept that is used in our State to indoctrinate that person into prison and give him a taste of prison life, and hopefully release him right quick thinking he will not go back and do it again, but I assure you he will.

[The statement follows:]

STATEMENT OF LT. RICHARD MCQUOWN, KENTUCKY STATE POLICE

Mr. Chairman, members of the Subcommittee, I am honored to have the opportunity to testify as a spokesman for law enforcement. I am here today representing the Coalition to Halt Automotive Theft, the International Association of Chiefs of Police, and the International Association of Auto Theft Investigators.

All of these organizations strongly support passage of the Motor Vehicle Theft Law Enforcement Act. My name is Richard D. McQuown. I am a Lieutenant with the Kentucky State Police and have been the commander of the Kentucky State Police Auto Theft Section since January 1973. I have served with the State Police for 26 years and am a graduate of the Federal Bureau of Investigation National Academy. I am also First Vice-president of the International Association of Auto Theft Investigators and have trained over 3,500 police officers in auto theft investigation. In November 1979, I testified before the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, Ninety-sixth Congress.

Since my previous testimony before the U.S. Senate, the problem with professional vehicle theft has worsened. The recovery rate of stolen vehicles has continued to drop. The latest published recovery rate for 1981 and indicated only 52% compared with the 1979 recovery rate of 60%. These totals were provided by the FBI Uniform

Crime Report. The reduction in the recovery rate can be attributed to the involvement of professional vehicle theft rings operating chop shops. Chop shops deal in component parts from stolen vehicles, primarily parts that have no identification numbers permanently die stamped in prominent or hidden locations. It is a business of supply and demand. The supply is endless, and the demand is great for crash-damaged replacement parts. It is not unusual for stolen component parts such as complete front ends, known as dog houses, or front caps to be supplied from New York-based chop shops to a customer in Kentucky or Tennessee. In fact, we have recovered many stolen component parts from other states. It is a difficult task to make an identification of these parts, and it is most likely that we cannot identify the majority of suspected stolen parts because of the lack of any identification number. State, county, and municipal law enforcement agencies usually are restricted by boundary lines limiting their jurisdiction. Professional vehicle theft rings know this and take advantage of this problem. This is why federal legislation is needed. It is extremely difficult for a state, county, or municipal law enforcement agency to prosecute multistate theft rings due to budget restraints and jurisdictional problems.

Another problem lies with the manufacturers' failure or reluctance to permanently stamp identification numbers on component parts. Most states have laws, some are felonies while others are misdemeanors, to prohibit anyone from altering, obscuring, or concealing the identify of machine. If component parts were permanently marked, a theft ring would have to obscure, remove, or conceal this identification number if the parts were stolen. This illegal obscuring procedure is usually evident or at least detectable. When detected, it is possible to restore these numbers and make an identification. These laws generally make these obscured parts contraband and subject to seizure. If there were no identification numbers permanently die stamped on these parts, there is no identification number to obscure, thereby no violation; thus, no prosecution or enforcement. Plastic identification stickers attached with some type of adhesive is better than nothing, but it is not a permanent marking system. It can be removed without indicating a stick-on identification was ever there. A permanently die-stamped number can be detected as once being on the component part thereby creating a violation of obscuring.

When I return to Kentucky from testifying before the U.S. Senate in 1979, I met with my department's Crime Prevention Section; and together we were able to come up with a unique vehicle crime prevention program. It is called the Vehicle Identification Program (V.I.P.). This program is Kentucky's response to organized vehicle theft. It began in August 1980 with a pilot program in the state capitol. In 1981, we began a statewide effort. The program is a practical and inexpensive deterrent to professional vehicle theft. We are permanently marking all glass and other component parts of vehicles with the vehicle identification number. This would require that a theft ring would have to replace all the glass of the stolen vehicle in order to dispose of it without detection. VIP is a deterrent against chop shops, salvage switches, and VIN plate alterations called renumbering. The program has been an overwhelming success. Law enforcement agencies in Kentucky have already marked over 60,000 vehicles, and we predict that by the end of this year we expect to mark 100,000 vehicles. Of the 60,000 marked vehicles, we have had three stolen, all theft ring-target vehicles. Two were ditched totally intact, and one has virtually disappeared. We feel that this is a remarkable record. The program is free to the public, costs only pennies, less than five cents per vehicle in materials, and most of all is effective. Frankly speaking, *it works*. The reluctance of manufacturers to permanently mark component parts because of cost factors or because the permanent marking is ineffective and doesn't work is just not a correct evaluation of the issue. Many other states have implemented the VIP concept, and the results should soon become evident. However, each state, county, or city cannot effectively mark vehicles as well as the manufacturer. The Motor Vehicle Theft Law Enforcement Act can help solve the problem.

Kentucky has also recently passed new legislation that is in line with this Motor Vehicle Theft Act such as:

Making it a felony to remove or alter the vehicle identification number of a vehicle or a vehicle part, whether the number is factory applied or owner applied;

Providing seizure and forfeiture of a vehicle of vehicle part where an identity is removed or altered; this includes seizure and forfeiture of vehicles hauling or transporting stolen vehicles or parts;

A felony to possess a VIN plate removed from a vehicle, blank registrations, or titles by unauthorized persons;

A felony for the offense of trafficking in stolen motor vehicles or motor vehicle component parts;

Mandatory seizure of stolen vehicle or vehicle component parts even if in possession of a so-called innocent purchaser; and

Passage of a motor vehicle title law with strong anti-theft measures. Kentucky was the last state to pass such a title law. This new title law eliminates most title law weaknesses and has almost all the title law strengths.

All this still will not solve the problem if federal legislation is not passed that standardizes the law throughout the United States. Try as they may, state and local laws do not properly attack a national problem. It took over twenty-five years to pass Kentucky's title law. I hope it doesn't take that long to pass a piece of needed legislation.

Professional vehicle theft is not just an urban problem; it is a rural problem as well. It will go away, and we must act on this problem before our recovery rate goes lower.

This Motor Vehicle Theft and Law Enforcement Act will greatly reduce other types of professional theft-ring operations as well. Additionally component part permanent identification numbers will curtail salvage switches, body switches, strip operations, renumber (alter VIN plate) operations. Professional vehicle thieves rely on the lack of additional identification numbers to make their illegal profession a success.

A strip operation usually results in another stolen stripped vehicle. As a example, a stolen vehicle stripped of a front end, doors, seats, wheels and tires, deck lid, and then abondoned only to be sold to a rebuilder, who is also the chop shop operator's best customer, who in turn needs the missing parts. This results in another vehicle being stolen to supply these component parts. They are actually robbing Peter to pay Paul, a virtual pyramid system that is endless.

Last month I discovered that the Ford Motor Company truck plant in Louisville, Kentucky, is not installing a metal stamped VIN plate attached with rivets on their 1983 new trucks. All Ford trucks from size F600 (1½ ton size) on up to the largest truck tractor uses only the federal safety standards sticker on the striker plate as their identification number. The top of the dash pad has an open indentation exposing two rivet holes where the plate was obviously intended to be affixed. A call to the Ford plant revealed that they felt they were in full compliance with all the laws by using only the federal safety standards label, plastic coated, affixed by an adhesive substance. These cabs can be interchanged with their smaller truck, F350 size, that does have the proper plate. Some states do not recognize the federal sticker as a VIN plate. This constitutes Ford Motor Company's blatant disregard for law enforcement needs. This reverts back to the problem mentioned earlier, no plate to remove and no violation resulting in no possible identification for seizure and prosecution.

I summit, does it also require that the manufacturer must be forced to do even the very basic—the proper installation of a permanent, type VIN plate. I have written to the Ford Motor Company expressing my displeasure as well as my disbelief.

I have brought with me today a video tape of a bust of a million dollar a year theft-ring operation. This film graphically illustrates the enormity and the severity of this national problem. Mr. Chairman, menbers of this Subcommittee, a chop shop is certainly not a Chinese restaurant. It is a fast-growing cancer on the nation.

In closing, I reiterate that the organizations I represent today strongly support passage of this vitally needed legislation.

[The following information was subsequently received for the record:]

COMMONWEALTH OF KENTUCKY,
KENTUCKY STATE POLICE,
Frankfort, Ky., August 12, 1983.

Senator JOHN DANFORTH,
Surface Transportation Subcommittee, Committee on Commerce, Science, and Transportation, Washington, D.C.

DEAR SENATOR DANFORTH: In response to your letter of August 9, I submit the following answers to the questions that were submitted.

Question. The objective of S. 1400 is to reduce auto theft by using identification numbers on parts of motor vehicles. Kentucky has a voluntary program which is working now—couldn't this program be utilized to deter auto theft?

Answer. Kentucky's VIP program (Vehicle Identification Program) was designed to be a theft deterrent. The program began in late 1980 and at present between sixty and seventy-five thousand vehicles have been marked. The program has achieved remarkable results. Only one marked vehicle has been lost. Two other marked vehicles were abandoned shortly after the theft presumably because they

were marked. National Automobile Theft Bureau records reflect that of every 150 registered vehicles one is stolen. Our record reflects one in every 20,000 marked vehicles under the VIP program, proving a very important point. In Kentucky we are operating this program on a voluntary basis, and it is locally administered. This type of program has a very limited potential. Higlights are set out below.

A. The program primarily is for marking only the vehicle glass, not front ends, doors, and other sheet-metal component parts as S. 1400 requires.

B. Local law enforcement programs or separate state laws cannot possibly solve a national problem. The approach by local programs lacks uniformity and complete coverage. All vehicles must be permanently marked (die stamped) by the manufacturer prior to the vehicle being shipped to dealers. No volunteer program will accomplish this goal.

C. Most marking programs (voluntary and local) or state laws are not always designed to meet national needs. A standard is necessary such as die-stamped component marking in a specified location, size of numbers, depth of stamping, specified design of dies to be able to prove in court that the die-stamped numbers are consistent and factory stamped. Professional theft rings re-stamp altered numbers to conceal the true identity.

D. The permanent stamping is far superior to a manufacturer's pilot marking program with a self-destructing stick-on label. Permanent stamping can be positively proven through crime laboratories as to removal, alteration, obscured. A stick-on label can be removed and leave no proof a sticker was ever in place.

E. Many states have either no provision in laws prohibiting possession of property or machinery or component parts with altered, obscured, or removed identification numbers is not a felony. Those states having effective laws still are faced with the very first necessary element—no number to obscure, no violation and no prosecution.

F. Altered, obscured, or removed identification numbers can have no valid reason for change except to conceal the true identify.

Thus these elements and objectives cannot be met with state programs, state laws, or any method other than a uniform, permanent marking program by vehicle manufacturers.

Question. What do you estimate to be the cost of S. 1400's permanent vehicle numbering system?

Answer. The actual cost is dependent upon several elements such as who makes these estimates and the type of application of these numbers or letters. Engineering design has a great deal to do with actual cost. Machine-stamping or laser-designed methods are desired over any hand-stamped numbering system.

All numbers and letters of a seventeen-character VIN (vehicle identification number) are not necessary for proper identification. The first two characters and the last eight are desired, but the last eight characters can actually do the job. This is called a VIN derivative which is enough for positive identification.

The total cost of the S. 1400 provision is limited to a certain amount per vehicle required of the manufacturer which is set at $10.00 per vehicle. Actual cost could be as low as one or two dollars per stamped number. The actual total cost per se is unknown. I consider the cost to be cost beneficial or cost effective as being the most progressive step manufacturers can take to protect their consumers.

In closing I simply state that additional component marking is the only effective way to provide law enforcement with a means of preventing vehicle theft, identifying parts, prosecuting those who possess stolen parts, or prosecute those who obscure identification numbers. These parts once obscured should be declared contraband.

Thank you for the opportunity of responding to your questions. If you have need for additional information, please contact me.

LT. RICHARD MCQUOWN,
Commander, Auto Theft Section.

Senator DANFORTH. Thank you very much.

Mr. Gilliland.

Mr. GILLILAND. Chairman Danforth, the NATB is a crime prevention organization assisting law enforcement as well as other governmental authorities in the investigation, location, and prevention of vehicle theft, as well as thefts of other types of uniquely identifiable personal property. We receive our support from over 570 property casualty insurers.

It has long been the position of the NATB that the Motor Vehicle Theft Law Enforcement Act provides essential tools for law enforcement. The most important and useful of these so-called tools is that of component part identification, the possibility for which is provided under title I of the bill.

There is a danger in placing too much emphasis upon results or lack of results of demonstration or pilot projects conducted in recent years by vehicle manufacturers. As indicated above, component part identification is an important tool for law enforcement. The effectiveness of this aspect of component part identification cannot be judged exclusively on the basis of theft rates or even on the basis of theft rates and recovery rates.

It must also be noted that there quite simply has not been an adequate period of time since the inception of these projects to look to statistics for an indication of results. I think that it is important to direct the subcommittee's attention to the critical issue of implementation time for component part identification should S. 1400 be enacted. Assuming that the bill were to pass and the President would sign the act today, the Secretary of Transportation would have up to 12 months to publish a proposed security standard. At that point, it could take another 12 months or more to promulgate a binding and effective security standard, and the effective date for the final security standard could be up to 12 months after promulgation.

In other words, it could take 3 years just to reach the effective date of a security standard by the Secretary of Transportation consistent with the provisions of this legislation.

Now, it has been conservatively estimated that a vehicle is on the road for 10 years. This could mean that it would be an additional 6 years after the effective date of the security standard before approximately 50 percent of the population on the road would have component parts uniquely identified. It must also be considered that there would be a need for legislation on a State-by-State basis of antifencing enforcement measures. All of this means that if the legislation were to become effective today, it could take until 1993, 10 years from today, until the key component part identification provisions of this legislation would begin to accurately measure the full impact of component part identification.

The fact remains that the component part identification concept found within title I of the bill is only one provision of a comprehensive response to the total vehicle theft problem. Component part identification is a long-range solution. There are short- and medium-range provisions in the bill that are well conceived and that are needed now.

There can be immediate impact on several vehicle theft methods of operation with the passage of S. 1400. First, the export method is addressed under the provisions of title III. I would further direct the subcommittee's attention to the other provisions of the bill and to the time line for impact on one or more of the methods that combine to form the problem of vehicle theft; the provision for altering and removing identification.

Forfeiture of vehicles and parts having altered or removed identification; the effect is immediate. The inclusion of motor vehicle title certificates under the scope of title XVIII, United States Code

2311, securities; the effect is immediate. New offense of trafficking in vehicles and parts with altered or removed identification; limited, but immediate. The inclusion of the Dyer Act within the Rico statutes; the effect immediate. Prohibition of mailing theft devices; immediate. A new offense of unlawful import or export of stolen vehicles, parts, and so forth; the effect is immediate.

The foregoing, Mr. Chairman, illustrates that the Motor Vehicle Theft Law Enforcement Act is necessary as timely Federal action to address vehicle theft. There will be immediate impact through the passage of this measure. The fact that there are two medium- or long-range measures in the bill, the vehicle security standards and the task force study of effectiveness of State motor vehicle titling programs, should not be an excuse for delay. As soon as this bill becomes effective, there will be an immediate enhancement of law enforcement capabilities to deal with vehicle theft.

Later, with the advent of component numbering, this enforcement capability will multiply and become more effective. Time is of the essence. The NATB fully supports S. 1400, and urges its prompt enactment.

Thank you.

[The statement follows:]

STATEMENT OF PAUL W. GILLILAND, PRESIDENT, NATIONAL AUTOMOBILE THEFT BUREAU

Mr. Chairman and members of the Subcommittee, I am Paul W. Gilliland, the president of the National Automobile Theft Bureau. It gives me great pleasure to appear before you today to indicate on behalf of NATB full and complete support of S. 1400, a bill to deter motor vehicle theft and to enhance its detection by requiring the Secretary of Transportation to issue standards relating to the identification of vehicle parts and components, by increasing criminal penalties applicable to trafficking in stolen vehicles and parts, by curtailing the exportation of stolen motor vehicles and off-highway mobile equipment, and by establishing penalties applicable to the dismantling of vehicles for the purpose of trafficking in stolen parts, and for other purposes.

The National Automobile Theft Bureau, or NATB, is a crime prevention organization assisting law enforcement as well as other governmental authorities in the investigation, location, and prevention of vehicle theft, as well as thefts of other types of uniquely identifiable personal property. NATB receives its support from over 570 property-casualty insurers. It is significant to note that NATB assists law enforcement in its efforts against thefts of off-highway mobile equipment and thefts of boats and vessels. This is in addition to NATB's role in the field of vehicle theft.

For your information, I would indicate that as president of NATB I have appeared previously before subcommittees of the House and testified on behalf of NATB in support of the Motor Vehicle Theft Prevention Act, later known as the Motor Vehicle Theft Law Enforcement Act. NATB has consistently and fully supported this legislation over the years. NATB has worked actively with other interested groups who have and are supporting this legislation. Just this session, I appeared before the Subcommittee on Trade of the House Committee on Ways and Means on May 10 in support of H. R. 1744 and before the Subcommittee on Telecommunications, Consumer Protection and Finance of the House Committee on Energy and Commerce on June 20, 1983. Copies of the written statements from both of these recent subcommittee hearings are enclosed to provide this Subcommittee with complete information concerning the position of the National Automobile Theft Bureau on these important legislative measures.

In 1981, the last year for which complete figures are available, there were over 1 million vehicle thefts. This was the third straight year in which thefts exceeded the one million figure and the fourth time in a six-year period. In two states, California and New York, there were over 100,000 vehicle thefts. In five other states, vehicles thefts exceeded 50,000 units.

I can advise you today that there are four major methods of operation that combine to account for the catastrophic dimensions of the theft problem. These methods

of operation are: (1) VIN switching, retagging, body switch, or salvage switch; (2) Chop or cut shops; (3) Exports; (4) Insurance fraud.

The first method simply means that a vehicle is stolen, disguished as a nonstolen unit, and sold. Everyone in this room is familiar with, or at least has heard of, chop shops. This terms refers to the practice of stealing vehicles for their sheet metal and other component parts.

The practice of stealing vehicles and then shipping them abroad for resale, with or without attempts to disguise the unit as nonstolen, represents the export method of operation.

Finally, the false reporting of vehicles as stolen for purposes of collecting insurance proceeds is a daily and hourly occurrence in the United States. This fraud contributes to the theft statistics and is in fact a major part of the overall problem of vehicle theft.

It has long been the position of the National Automobile Theft Bureau that the Motor Vehicle Theft Law Enforcement Act provides essential tools for law enforcement. The most important and useful of these so-called tools is that of component part identification, the possibility for which is provided under Title I of the bill. I would emphasize that Title I does not mandate a fixed system of numbering, but instead merely provides the Secretary of Transportation with the authority to promulgate a motor vehicle security standard which would include component part identification.

Compoment part identification represents a significant investigative tool for law enforcement that would permit the detection of stolen parts and identification and ownership tracing of recovered stolen parts and vehicles. There should be no mistake. There will not be a one-to-one reduction in the vehicle theft rate for every vehicle manufactured which has its component parts uniquely identified. Theft deterrence is certainly an important consideration, but it is not the sole and exclusive consideration. Vehicles having uniquely identifiable component parts greatly increase the odds of effectively indentifying and tracing ownership of stolen parts and vehicles. The law enforcement use of component part identification applies across the board without regard to the reason for an initial theft.

There is a danger of placing to much emphasis upon results or lack of results of demonstration or pilot projects conducted in recent years by vehicle manufacturers. As indicated above, component part identification is an important tool for law enforcement. The effectiveness of this aspect of component part identification cannot be judged exclusively on the basis of theft rates or even on the basis of theft rates and recovery rates. It must also be noted that there quite simply has not been an adequate period of time since the inception of these projects to look to statistics for indications of results. We are not, at this point in time, even beyond the normal period of first ownership as to the first vehicles numbered under these projects. It goes without saying that we are not as yet even at the halfway point of the normal period representing average vehicle life.

One thing that the demonstration projects do indicate is the willingness of the manufacturers to take responsible steps to address the important problem of vehicle theft. Vehicle manufacturers over the years have made significant contributions, both to deter and to detect vehicle theft. I would briefly cite improved identification techniques, improvements in entry and ignition locking systems, and increased availability of factory-installed theft prevention systems as optional equipment.

I think that it is important to direct this Subcommittee's attention to the critical issue of implementation time for component part identification, should S. 1400 be enacted. Assuming that the bill were to pass today and the President to sign the act today, the Secretary of Transportation would have up to 12 months to publish a proposed security standard. At that point, it could take another 12 months or more to promulgate the binding and effective security standard. The effective date for the final security standard could be up to 12 months after promulgation. In other words, it could take three years just to reach the effective date of a security standard issued by the Secretary of Transportation consistent with the provisions of this legislation.

It has been conservatively estimated that a vehicle is on the road for ten years. This could mean that it would be and additional six years, after the effective date of a security standard, before approximately 50 percent of the vehicles on the road would have component parts uniquely indentified. It must also be considered that there would be a need for legislation on a state-by-state basis of antifencing enforcement measures.

All of this means that if this legislation were to become effective today, it could take until 1993, ten years from today, until the key component part identification

provisions of this legislation would begin to accurately measure the full impact of component part identification.

The fact remains that the component part identification concept found within Title I of the bill is only one provision of a comprehensive response to the vehicle theft problem. Component part identification is a long-range solution. There are short- and medium-range provisions in this bill that are well-conceived and that are needed now.

There can be immediate impact on several vehicle theft methods of operation with the passage of S. 1400. First, the export method is addressed under the provisions of Title III. I would further direct the Subcommittee's attention to the other provisions of this bill and to the time line for impact on one or more of the methods that combine to form the problem of vehicle theft:

Provision	Effect
Altering/removing identification as offense under 18 U.S.C. 510	Immediate.
Forfeiture to U.S. of vehicles/parts having altered/removed identification	Do.
Inclusion of motor vehicle title certificates within scope of 18 U.S.C. 2311	Do.
New offense of trafficking in vehicles/parts with altered/removed identification under 18 U.S.C. 2320	Do.
Inclusion of Dyer Act violations within RICO statute	Do.
Prohibition of mailing of theft devices under 18 U.S.C. 1716A	Do.
New offense of unlawful import/export of stolen vehicles, etc., under 18 U.S.C. 553	Do.

The foregoing illustrates that the Motor Vehicles Theft Law Enforcement Act is necessary as timely federal action to address vehicle theft. There will be immediate impact through passage of this measure. The fact that there are two medium-range or long-range measures in the bill, i.e. motor vehicle security standards and task force study of effectiveness of state motor vehicle titling programs, should not be an excuse for delay.

As soon as this bill becomes effective, there will be an immediate enhancement of law enforcement capabilities to deal with vehicle theft. Later, with the advent of component numbering, this enforcement capability will multiply and become even more effective.

It is obvious that the time has now arrived for federal action to combat vehicle theft. Time is of the essence. The NATB fully supports S. 1400 and urges its prompt enactment.

Senator DANFORTH. Thank you very much.

Mr. Adduci.

Mr. ADDUCI. Thank you, Mr. Chairman. Today I am accompanied by Dr. Fred Bowditch, vice president of technical affairs for our organization.

We welcome the opportunity to present MVMA's views on the serious problem of motor vehicle theft. While the incidence of theft varies with different types of vehicles, in all cases the problem imposes costs and inconveniences to the victims of the theft. Because this industry is interested in minimizing the costs and the inconvenience produced by theft, and in maintaining the commercial viability of our products, we support those antitheft efforts which promise to be cost effective.

While S. 1400 addresses many of the actions necessary for a comprehensive antitheft program, we believe the mandatory requirement for the identification of the additional vehicle parts and components is premature. Component identification should remain voluntary, at least until it is found to be cost effective to a significant degree. Specific positive actions to address other measures of a comprehensive antitheft program may well produce greater payoffs than component identification. Indeed, the effectiveness of any component identification requirement will be severely limited unless concurrent action is taken in the other areas.

Two of our member companies have voluntarily conducted test programs of component identification. The results of these programs to date have failed to provide clear evidence that component identification will deter thefts and assist in the recovery of stolen vehicles. Had other measures essential to an effective antitheft program been implemented concurrently with these test programs, the results could have been more conclusive.

Recognizing that the programs lack the support of elements essential to an effective deterrent to vehicle theft, domestic manufacturers would consider a voluntary component identification program conditioned upon a commitment to vehicle theft prevention by other affected groups.

Those other elements that I refer to include: Improved enforcement of existing motor vehicle theft laws and increased penalties for their violation; stricter import and export controls; enactment of uniform State titling laws, including uniform requirements for the surrender of titles to salvage vehicles; licensing of businesses dealing in used auto parts; developing more effective means for deterring insurance fraud; and increasing the public's awareness of what it can and should do to discourage vehicle theft. Component identification by itself cannot be effective without these other elements.

Since measuring any effectiveness of component identification as a deterrent to vehicle theft would be dependent on a broad range of participation, action by affected State and Federal agencies, including members of the legislative, judicial, and law enforcement communities, insurance industry and other appropriate private sector groups is crucial. We believe the Interagency Task Force on Auto Theft should, with the cooperation of the domestic manufacturers and other interested parties, develop, implement, monitor, and evaluate a comprehensive program. Among the functions of such a program would be: Obtaining the cooperation of insurance companies to report the condition of recovered stolen vehicles once the program is started; inviting police departments of the largest metropolitan areas where auto theft is the greatest problem to participate in an intensive study program to monitor and report theft statistics in their jurisdiction; inviting district attorneys of those same metropolitan areas to obtain information on auto theft, arrest rates, conviction rates, and incarceration rates related to component identification; and emphasizing and supporting full implementation of all recognized law enforcement actions to apprehend and punish persons who steal motor vehicles and or deal in stolen components; these actions should include the licensing of businesses vulnerable to organized theft operations and tighter recordkeeping requirements, thereby to discourage illicit chop shop operations.

As I indicated, Mr. Chairman, at the outset, MVMA recognizes the seriousness of the vehicle theft problem and is prepared to support those efforts to deter vehicle theft that promise to be cost effective. We believe a broad-scale program should be considered, and we will be pleased to work with the committee and the Interagency Task Force on Auto Theft. Thank you.

[The following information was subsequently received for the record:]

MOTOR VEHICLE MANUFACTURERS ASSOCIATION
OF THE UNITED STATES, INC.,
Washington, D.C., August 17, 1983.

Hon. JOHN C. DANFORTH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR DANFORTH: This is in response to your letter of August 9, 1983, conveying three questions from the Commerce Committee minority to be answered for the hearing record.

The question from the minority pertaining to voluntary programs of component identification undertaken by our member companies was addressed in our letter of August 1, 1983 (copy attached), in which we indicated that both Ford Motor Company and General Motors Corporation have done so. Ford Motor Company is preparing a letter for the Committee describing their ongoing experimental program. Regarding the estimated implementation costs of S. 1400, my August 1 letter also indicated that it is not now possible to make such estimates, but that Ford and General Motors are undertaking analytical investigations of potential component identification systems. I am informed that they will provide the results of their analyses to you in September.

The remaining question addresses the importation and exportation measures as set forth in Title III of S. 1400. As I indicated in my testimony before your Subcommittee, we strongly endorse and advocate requirements which would impose adequate penalties for the unlawful importation and exportation of vehicles and equipment.

If we can be of further assistance to you, please do not hesitate to call upon us.

Very truly yours,

V. J. ADDUCI.

Attachment.

MOTOR VEHICLE MANUFACTURERS ASSOCIATION
OF THE UNITED STATES, INC.,
Washington, D.C., August 1, 1983.

Hon. JOHN C. DANFORTH,
U.S. Senate, Chairman, Surface Transportation Subcommittee, Committee on Commerce, Science, and Transportation, Washington, D.C.

DEAR SENATOR DANFORTH: This is in response to your letter of July 19, 1983 requesting information for the record of the Surface Transportation Subcommittee's hearing that day on S. 1400 to supplement the MVMA testimony I presented. A copy of your letter has been provided to each MVMA member company.

Unfortunately, it will not be possible to respond today to your request for information on the relative costs and merits of the various component identification techniques and an estimate of the time frame anticipated for industry-wide compliance with any standards resulting from S. 1400.

As you know, two of our members—Ford and General Motors—have conducted voluntary test programs of component identification using labeling techniques. The other MVMA members have no similar experience in the identification of additional components. The inconclusive results of the Ford and General Motors programs have been well documented. However, neither company has any field experience with stamping the same kinds of parts as were labeled in the voluntary test programs upon which to base estimates of the relative costs, implementation requirements and leadtimes which you requested.

General Motors and Ford are undertaking analytical investigations of potential methods and will provide the information directly to you by mid-to-late September. Other MVMA members—American Motors, Chrysler Corporation and Volkswagen of America—have indicated that they are not in a position to undertake similar analyses.

Since Senator Percy's first question pertains solely to Ford Motor Company's identification of certain medium-to-heavy duty trucks, Ford is providing a direct response to you.

Regarding Senator Percy's second question, I believe the testimony I presented at the July 19 hearing on behalf of all MVMA members clearly indicates our position. Manufacturers have not "consistently opposed component identification since it was first proposed." Our position is that component identification *alone* will not effectively deter vehicle theft.

Based on the available data from the General Motors and Ford voluntary pilot programs, we believe that the merits of additional component identification have not been established, in part because all of the other measures necessary to reduce the incidence of theft were not also adequately pursued. Thus, until a program, which encompasses the full range of needed countermeasures, is developed, tested, and proven to be cost-effective, we believe that consideration of anti-theft legislation requiring component identification is premature.

Because of the complex and interrelated nature of this problem, we believe that any group charged with the responsibility of developing such a comprehensive program should have broadbased representation from all areas affected. As I indicated in my testimony, MVMA would be pleased to be one of the participants in any such group.

Very truly yours,

V. J. ADDUCI.

Senator DANFORTH. Thank you, sir.

Mr. Baker.

Mr. BAKER. Mr. Chairman, my name is Donald Baker, and I am director of loss prevention and security for National Car Rental System headquartered in Minneapolis, Minn.

With me today is Seth Kaminsky, vice president of security for Avis Rent-A-Car, headquartered in Garden City, N.Y.

Both Mr. Kaminsky and myself serve on the Security Committee of the American Car Rental Association, a group comprised of more than 1,500 companies nationwide who rent and lease more than half a million vehicles from some 3,000 locations in every State in the Union.

In the interest of brevity, I offer this summary of my paper to be entered into the record.

We conservatively estimate that the auto theft problem costs our industry $60 million annually, excluding expenses for car replacement, vehicle recovery, damage to and stripping of recovered vehicles, and loss of revenue, in addition to that administrative cost while the vehicles are missing.

In 1980, National Car Rental System, Inc., my company, began a test program by component marking of its rental fleet in Chicago, and expanded its program to Detroit and Cleveland in 1981. In 1982, the Truck Renting and Leasing Association, or TRALA, a sister trade association of ACRA, embarked on a test component marking program in Atlanta on trucks owned by five of its member companies. Both National's program and TRALA's program have proven to be successful, success being measured by a decrease in the rate of theft of the marked vehicles and a significant increase in the number of vehicle recoveries.

National now marks certain components of the cars in its rental fleets in the cities mentioned by way of a sandblasting procedure that embosses the vehicle identification number on approximately 20 components of the cars, including all glass. The results of the marking programs in 1982 reflect the following. As evidence of improved recoveries, National found that in Chicago, a high-crime city, our recovery rate for marked stolen vehicles was 92 percent; 166 cars stolen, 153 cars recovered. And in Detroit, where auto theft increased in 1982 approximately 36 percent, we increased our recovery rate there to 95 percent.

Figures provided by TRALA for the participating companies in Atlanta are also encouraging. They show that in 1981 and 1982, without component marking, they had 27 stolen tractor trailers.

These are $50,000 rigs. And since July 1982, through June 1983, they had two stolen trucks.

Obviously, it is too early to draw any conclusions from this small sample, but we think there is a causal relationship. In Cleveland, for example, 33 cars were stolen this last year, and 32 were recovered. National experienced an appreciable drop in the cannibalizing of our marked cars as compared to our unmarked vehicles.

One of the keys to the success of our program is the fact that we conspicuously place a decal identifying that components of the vehicle are marked on the driver's side of each marked vehicle. We also mark each piece of glass visibly with the vehicle identification number. Equally significant, we have embarked on a publicity program that alerts both law enforcement authorities and potential thieves of our marking program.

Unlike the pilot programs undertaken by the manufacturers, if police do not know the car is marked, they are hampered in the recovery process and cannot obtain evidence. If the car is not visibly marked, the thief will steal the car.

Mr. Chairman, speaking from my personal experience with our test program, I believe without equivocation that a well-publicized component marking program with laws making it an offense to obliterate the marks will be a deterrent to the theft of the motor vehicle. This categorical statement is based on my personal experience which leads me to believe in the need for the standardized marking of components on all vehicles.

While I have just told you of the success of National's and TRALA's component marking test program, I must emphasize that in my view and ACRA's view, component markings by owners after the vehicle leaves the factory is totally inadequate to have an impact on auto theft. Moreover, owner marking in itself has severe limitations.

Critical to the success of a component marking program is a standardization nationwide. This standardization cannot be achieved if left to each owner's discretion. It is more expensive and difficult for each owner to mark their vehicle than if done at the point of manufacture. Sand blasted or etched numbers are more easily obliterated than factory stamped numbers. Tape marking is ineffective unless obliteration or removal of tape is of itself a violation of the law.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF DONALD W. BAKER, VICE CHAIRMAN OF THE SECURITY COMMITTEE OF THE AMERICAN CAR RENTAL ASSOCIATION

My name is Donald Baker and I am director of security with National Car Rental system headquartered in Minneapolis, Minnesota. With me today is Seth Kaminsky, vice president of security at Avis Rent A Car system headquartered in Garden City, New York. Both Mr. Kaminsky and myself serve on the security committee of the American Car Rental Association, a group comprised of more than 1,500 companies nationwide who rent and lease motor vehicles. Members of the American Car Rental Association rent more than half a million vehicles from some 3,000 locations in every State in the union.

The rental vehicle is today a vital element in the Nation's transportation network and is utilized in both the commercial and leisure sectors to provide transportation where public facilities are unavailable, impractical or inadequate. The auto theft problems we experience are really no different from those experienced by all vehicle

owners, and as such, our association enthusiastically supports S. 1400 as a significant benefit to all vehicle owners. As might be expected, with our sizable fleets of late model, fully equipped, low mileage vehicles, the rental automobile is a particularly vulnerable target to auto thieves for several distinct reasons:

First, most of our member companies rent the more popular make and model vehicles which are not only valuable for their parts, but equally desirable in the illegal export market. Secondly, we typically fleet newer vehicles, the parts for which are not as readily available in the legitimate used parts after market. Thus we are again prime candidates for auto theft. Thirdly, our fleets are largest in metropolitan areas and it has been well documented that auto theft is indeed an urban problem.

Lastly, we would note that the care and custody afforded our vehicles is often something less than that of privately owned vehicles. Our cars are often left unlocked in unsecure areas and become prime targets for auto thieves.

We conservatively estimate that the auto theft problem costs our industry $60 million annually, excluding expenses for vehicle recovery, damage to and stripping of recovered vehicles and loss of revenue while the vehicles are missing.

The American Car Rental Association believes that this bill contains well thought out, meaningful measures to make a major impact in the auto theft problem which is costly to every vehicle owner in America. The mandatory stamping of key component parts at the point of manufacture is the only truly effective way to give law enforcement the tools it so desperately needs to make positive identification of highly marketable vehicle parts, a primary motive for auto theft in America today.

In 1980, National Car Rental System, Inc., my company, began a test program of component marking its rental fleet in Chicago and expanded its program to Detroit and Cleveland in 1981.

In 1982, the Truck Renting and Leasing Association (TRALA), a sister trade association of ACRA embarked on a test component marking program in Atlanta on trucks owned by five of its member companies.

Both National's program and TRALA's program have proven to be successful. Success being measured by a decrease in the rate of theft of the marked vehicles and a significant increase in the number of vehicle recoveries.

National now marks certain components of the cars in its rental fleets in the cities mentioned by way of a sand blasting technique that embosses the vehicle identification number on approximately 20 components of the car, including the glass. Results of the marking program in 1982 reflect as follows: As evidence of improved recoveries, national found that in Chicago, a high crime city, our recovery rate for marked stolen vehicles was 92.17 percent as compared to the pre-marking rate of recovery in Chicago of 65 percent. Figures provided by TRALA for the participating companies in Atlanta are also encouraging. They show that in 1981 and 1982 without component marking they had 27 stolen vehicles and since July 1982 through June 1983 they had two stolen vehicles. Obviously it is too early to draw any conclusions from this small sample, but we think there is a causal relationship. In Cleveland, National experienced an appreciable drop in the canabalizing of our marked cars as compared to our unmarked vehicles.

One of the keys to the success of our program is the fact that we conspicuously place a decal—identifying that components of the vehicle are marked—on the driver's side of each marked vehicle. We also mark each piece of glass visibly with the vehicle identification number. Equally significant, we have embarked on a publicity program that alerts both law enforcement authorities and potential thieves of our marking program, unlike the pilot programs undertaken by certain auto manufacturers which were not accompanied by any publicity. If a thief does not know the car is marked, there can be no deterrent effect. If police do not know the car is marked, they are hampered in the recovery process and cannot obtain evidence for prosecution.

Mr. Chairman, speaking from my personal experience with our test program I believe without equivocation that a well publicized component marking program, with laws making it an offense to obliterate the marks, will be a deterrent to the theft of motor vehicles. This categorical statement is based on my personal experience which leads me to believe in the need for the standardized marking of components on all vehicles.

While I have just told you of the success of National's and TRALA's component marking test programs, I must emphasize that in my view and ACRA's view, component marking by owners after the vehicle leaves the factory is totally inadequate to have an impact on auto theft. Moreover, owner marking in itself has severe limitations. Let me just highlight some of these problems:

Critical to the success of a component marking program is a standardized format nationwide, as for example, location of the mark and the size of the digits. This standardization cannot be achieved if left to each owner's discretion.

It is more expensive and difficult for each owner to mark their vehicle than if done at the point of manufacture.

Sand blasted or etched numbers are more easily obliterated than factory stamped numbers.

The sand blasting process poses an occupational,health hazard.

Tape marking is ineffective unless obliteration or removal of the tape is in and of itself a violation of law.

Owner marking is at best voluntary and would dilute and undermine the effectiveness of any component marking program.

Lack of meaningful legislation regarding vehicle exportation is equally critical. Those involved in his illegal enterprise take full advantage of our virtually nonexistent export regulations and we frequently discover that vehicles have left the country even before a theft alarm on the vehicle has been filed. Our members, along with the millions of other vehicle owners in the country are all potential and helpless victims.

In conjunction with the language of the proposed statute, we would note that the term "stolen" is not defined. Nearly half of the vehicles we place into a missing status are rented and not returned in accordance with rental agreement. These loses technically constitute conversions rather than thefts. In other words, a vehicle is properly rented, is not returned when due, and legally is considered converted by the renter for his personal benefit. Theft reports are filed on these units similar to outright thefts. As a matter of statutory drafting rather than any substantive issue, we would request that the term "stolen" as used in the proposed bill be defined so as to incorporate the crime of conversion.

I should like to apprise this committee on the continuing support of the American Car Rental Association regarding this bill. It is our earnest hope that the provisions of S. 1400 will be enacted into law in an effort to stem the growing tide of motor vehicle thefts in the United States. Thank you for the opportunity to appear here today.

[The following information was subsequently received for the record:]

AVIS RENT A CAR SYSTEM, INC.
Garden City, N.Y., August 16, 1983.

Hon. JOHN C. DANFORTH
Committee on Commerce, Science, and Transportation, Surface Transportation Subcommittee, Russell Office Building, U.S. Senate, Washington, D.C.

DEAR SENATOR DANFORTH. In response to your letter dated August 9 to Mr. Don Baker, Director of Security, National Car Rental, The American Car Rental Association (ACRA) is pleased to furnish the following information regarding the questions you have posed.

We believe that the GM pilot parts marking program, which "concluded" that there was no significant difference in theft and recovery rates for marked and unmarked cars, was both ineffective and inconclusive. The principal deficiency of this pilot program was that it was accompanied by virtually no publicity or even notice. Potential car thieves did not know the cars were marked and as such the program lacked the intended deterrent effect. Similarly, the law enforcement community was largely unaware of the program and were not cognizant of which make and model cars were marked, which parts of those vehicles were marked and other key details of the program. This is the opposite approach of the test marketing programs launched by several ACRA members who have intentionally gone to great lengths to publicize their programs. Not only are they visibly etching all of the glass on those vehicles marked but also they are affixing conspicuous decals on the car alerting potential thieves to the fact that the component parts of the vehicle have been marked. Active publicity campaigns have been initiated to advise law enforcement and the public of the program. No marking effort can be expected to have any impact if no one knows about it.

Secondly, in the GM test program, a non-permanent tape (designed to destruct if tampered with) was used to mark the parts. Removal of this tape was a violation of no law. In fact, removal of the tape would have left no evidence that the part had ever been marked which would not be the case with a factory stamp approach.

It should have been foreseeable that this pilot test would result in no significant difference in theft and recovery rates for marked and unmarked parts and the re-

sults of this test should certainly not be interpreted as a basis for scrapping the concept of factory stamped parts.

In response to the second question posed, an industry-wide post manufacturing parts marking program would probably not be possible to achieve and would not be effective even if it could be accomplished.

Vehicles owned by ACRA members probably represent something over one half of the rental vehicles in the country. The membership of the Association is comprised of companies ranging from very small to quite large in size and all parts marking by members and non-members alike would necessarily be voluntary. Which parts were marked, where on the part the marking were placed, which technique was used in the marking . . . in fact, which firms chose to mark parts at all would be accomplished on a hit and miss basis. It would virtually be impossible to achieve any degree of standardizated or uniformity even within this single industry.

More importantly, member companies of the American Car Rental Association, indeed this entire industry, represent a small percentage of automobiles on the road today. Marking of these vehicles would at best simply shift the loss to non-marked (i.e., privately owned) vehicles. Car thieves might indeed pass up a vehicle with parts they knew were marked for one with unmarked parts but based on the sheer number of privately owned vehicles on the roads, we could expect little or no reduction in the overall auto theft rate.

Furthermore, in ACRA's view, component marking by fleet (or even private) owners after the vehicle leaves the factory is on its face inadequate. As has been previously mentioned, beyond the fact that the entire program would be voluntary if left to each owner's discretion, there would be no standardization format such as which parts are to be marked, the size of the digits, etc.

It would also be considerably more expensive and difficult and the results far less satisfactory if each fleet owner attempted to manually mark their own vehicles vis-a-vis if done properly and professionally at the point of manufacture while the parts were being assembled. In our industry attempting to obtain standardized marks given multiple car drop locations, continually recycling fleets as well as the need for us to train many employees at many locations would create serious administrative problems.

In addition, the best kind of post delivery marking we could hope to accomplish on our own is sand blasting or etching, processes which not only pose occupational health hazards but also result in numbers which are capable of being obliterated far more easily than factory stamped numbers. As was evident in the GM test, tape marking is ineffective unless obliteration or removal of the tape in and of itself is a violation of law. Even then, there would probably be no remaining trace that the tape was ever there which would pose added evidentiary difficulties for law enforcement attempting to prosecute stolen vehicle cases.

One added negative which would exist if vehicle owners, fleet or otherwise, were to mark their own vehicles is that it would then seem impossible for legislation to be enacted rendering it a violation of law to obliterate or remove the digits of a marked part. It would appear that this critical component of the entire marking concept could only be written into law if the specified parts were universally marked in a standardized manner by the manufacturer.

We would conclude that any voluntary owner marking effort would dilute and undermine the effectiveness of a national, *mandatory* uniform component marking program for all new vehicles at the point of manufacture. This, in our view, is the only truly effective way to provide law enforcement with the most important ingredient necessary to make positive identification of marketable component parts and in turn significantly impact the growing tide of motor vehicle theft in the United States.

We appreciate this opportunity to work with your committee on this most important matter.

Sincerely,

SETH KAMINSKY,
Chairman, Security Committee,
American Car Rental Association.

Senator DANFORTH. Thank you very much, sir. I just have a few questic.

Lieutenant, you have spent several months investigating this particular operation. As I understand it, if there were serial numbers on the various parts of these cars, it would have made your investigation and prosecution much easier. Is that correct?

Lieutenant McQuown. Yes, sir, that is true.

Senator Danforth. That is to say, if you see an operation like this visibly, without any other evidence, it is very difficult to make a case, whereas if you find serial markings on the parts, you could trace them to cars which were stolen, and it makes it much easier to make a case in court?

Lieutenant McQuown. Yes, sir. Parts that have identification numbers that are removed and have been altered fall under the forfeiture and seizure provisions and are actually contraband. Parts that do not have a number on them we have to leave if we cannot identify it as stolen. The car you see in the photograph in the middle is a typical strip. It is stripped of all component parts that have no identification numbers, and when the insurance industry or the owner sells that vehicle, they are actually selling it to a rebuilder who is going to contact another chop shop to supply him the needed parts from another vehicle to put it back on the road, which in turn creates another and another, and on and on.

The manufacturers also have additional problems that desperately need correcting and that is in the accountability of the vehicle identification number plates. I hold in my hand a stack of VIN plates, approximately 60, smuggled out of the Ford Motor plant in Louisville. They have a value constituting $675,000. Putting identification numbers on these blank plates to correspond with the vehicle with counterfeit or altered or stolen titles, a vehicle can be put back into circulation and have an authentic appearance because these plates are authentic.

Senator Danforth. That is my next question. To put a number on a part of a car is not to preclude the removal of the number or the replacement of the number. Would not this bill that we are now looking at be easily circumvented by simply removing numbers from parts?

Lieutenant McQuown. No; the removal would constitute a violation and therefore you would have evidence of the removal. The plastic stickers that are placed upon the vehicle by Ford and General Motors as a pilot project in the last couple of years is a stick-on sticker. If they were not permanently stamped into the metal, that sticker can be removed, leaving no indication that it was ever there. If you stamp it into the metal, an alteration must take place which leaves evidence of its alteration, and prosecution therefore can take place.

Senator Danforth. So in other words it would have to be stamped in?

Lieutenant McQuown. Yes, sir, permanently marked.

Senator Danforth. A sticker does not do the job?

Lieutenant McQuown. It does not do the job. It is better than nothing, but it does not do the job.

Senator Danforth. But if it is stamped in, can that be doctored?

Lieutenant McQuown. Yes, sir, it can be concealed, altered, and changed, but you have evidence of it, and it can be proven that it has been changed.

Senator Danforth. So if you were to go into a place like that and look for the number and it had been concealed or altered, could you tell it?

Lienutenant McQuown. Yes, sir.

Senator DANFORTH. And possessing a car with such a changed number would be a violation. Is that correct?

Lieutenant MCQUOWN. Yes, sir. I can think of no conceivable reasonable reason to alter an identification number.

Senator DANFORTH. So in other words you are satisfied that if we were to enact this particular bill into law, after having gone through the whole process of enacting the bill, we would not be just faced with yet another problem. We would have made a substantial move in the right direction?

Lieutenant MCQUOWN. We certainly would, and we need this piece of legislation. The VIN plates right here are no longer a problem at the Ford Large Truck plant in Louisville. They have discontinued putting VIN truck plates on their 1982-83 trucks, and there is no plate to remove, alter, or obscure.

Senator DANFORTH. What do they do?

Lietenant MCQUOWN. They use a little plastic Federal sticker on the door striker plate, and that is it for the body.

Senator DANFORTH. But that is easily removed, too?

Lieutenant MCQUOWN. Yes, sir, easily with some type of solvent.

Senator DANFORTH. So that does not really do any good, and there is a problem with these; so what would you do?

Lienutenant MCQUOWN. Well, the manufacturer has to have some type of inventory control even on the blank plate. What we would do about the cabs of these trucks, it needs to be die stamped and a permanent type of plate affixed with proper rivets to that vehicle.

Senator DANFORTH. Mr. Adduci, let us suppose that we were to pass this bill, that it would become law. How long would it take the auto industry to comply with it?

Mr. ADDUCI. Probably a couple of years.

Senator DANFORTH. A couple of years?

Mr. ADDUCI. Yes, a couple of years.

Senator DANFORTH. You could not move any faster than that?

Dr. BOWDITCH. We would have to check with each individual manufacturer. They each have their own problems. If we are going into labeling of as many parts as the bill calls for, it would be for quite an extensive program. As Lieutenant McQuown indicated, the two trial programs used adhesive material to place labels on the parts. Those labels cannot be changed. They have some advantages. I believe the Lieutenant would have trouble identifying some of the altered stamped numbers if they were done well, for instance. The pilot programs used the adhesive backed labels. These have to be easier to do than trying to stamp the number of parts that the bill calls for.

Senator DANFORTH. But the chief says that they are so easily removed and doctored.

Dr. BOWDITCH. But if there is a requirement that it be labeled, and the part shows up without any label on it by itself, that is a violation of the law.

Senator DANFORTH. What is your response to that, Lieutenant?

Lieutenant MCQUOWN. The label not being in place, you could not prove if someone forgot to put it on at the assembly line process. The die stamping of the VIN number into the metal leaves no doubt it has been either altered, obscured, concealed in some

manner, and you can prove that it was once there. You cannot prove that the plastic adhesive type label has ever been on. The doors in the illustration on the right, as an example, have Federal stickers on them that the factory places on the vehicle at the time of manufacture. Removal in my State is a felony. Removal in the State of Tennessee is no violation. So the laws differ.

Senator DANFORTH. Well, that could be covered by a Federal law, presumably.

Lieutenant MCQUOWN. Yes, sir, that is true.

Senator DANFORTH. But that still would not advance the cause much, you do not think?

Lieutenant MCQUOWN. I am sorry?

Senator DANFORTH. If it were done by sticker, that would not advance the cause?

Lieutenant MCQUOWN. Well, it helps, but it is not the real answer to the problem.

Senator DANFORTH. You would recommend die stamping?

Lieutenant MCQUOWN. Yes; permanent stamping.

Senator DANFORTH. That would be the best as opposed to stickers, or as opposed to the plates?

Lieutenant MCQUOWN. Yes, sir. A sticker is better than nothing, however.

Senator DANFORTH. How about the expense? Would that be the most expensive method, Mr. Adduci, the stamping?

Dr. BOWDITCH. We would need to check into the process that would have to be used, because you can recognize that trying to stamp all of the pieces of a given car with that whole VIN number does present some major problems. You really do not know exactly which car a particular hood is going to be on way back in the process where that hood is first manufactured. So I cannot answer your question.

Senator DANFORTH. I know it is just short order to ask for an answer, but would it be possible, do you think, in the next week or so for you to furnish the committee with your best judgment as to the relative merits of stamping versus plates versus adhesive as far as the cost is concerned and as far as the timeframe of the implementation is concerned? I think those are the two keys, assuming that we pass the bill, what is the relative cost and what is the relative implementation time of these methods of numbering parts.

Mr. ADDUCI. We will try to put that together for you.

[The following information was subsequently received for the record:]

MOTOR VEHICLE MANUFACTURERS ASSOCIATION,
OF THE UNITED STATES, INC.,
Washington, D.C., August 1, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Surface Transportation Subcommittee, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR SENATOR DANFORTH: This is in response to your letter of July 19, 1983 requesting information for the record of the Surface Transportation Subcommittee's hearing that day on S. 1400 to supplement the MVMA testimony I presented. A copy of our letter has been provided to each MVMA member company.

Unfortunately it will not be possible to respond today to your request for information on the relative costs and merits of the various component identification techniques and an estimate of the time frame anticipated for industry-wide compliance with any standards resulting from S. 1400.

As you know, two of your members—Ford and General Motors—have conducted voluntary test programs of component identification using labeling techniques. The other MVMA members have no similar experience in the identification of additional components. The inconclusive results of the Ford and General Motors programs have been well documented. However, neither company has any field experience with stamping the same kinds of parts as were labeled in the voluntary test programs upon which to base estimates of the relative costs, implementation requirements and leadtimes which you requested.

General Motors and Ford are undertaking analytical investigations of potential methods and will provide the information directly to you be mid-to-late September. Other MVMA members—American Motors, Chrysler Corporation and Volkswagen of America—have indicated that they are not in a position to undertake similar analyses.

Since Senator Percy's first question pertains solely to Ford Motor Company's identification of certain medium-to-heavy duty trucks, Ford is providing a direct response to you.

Regarding Senator Percy's second question, I believe the testimony I presented at the July 19, hearing on behalf of all MVMA members clearly indicates our position. Manufacturers have not "consistently opposed component identification since it was first proposed." Our position is that component indentification alone will not effectively deter vehicle theft.

Based on the avaliable data from the General Motors and Ford voluntary pilot programs, we believe that the merits of additional component identification have not been established, in part because all of the other measures necessary to reduce the incidence of theft were not also adequately pursued. Thus, until a program, which encompasses the full range of needed countermeasures, is developed, tested, and proven to be cost-effective, we believe that consideration of anti-theft legislation requiring component indentification is premature.

Because of the complex and interrelated nature of this problem, we believe that any group charged with the responsibility of developing such a comprehensive program should have broadbased representation from all areas affected. As I indicated in my testimony, MVMA would be pleased to be one of the participants in any such group.

Very truly yours,

V.J. ADDUCI.

Senator DANFORTH. Are those the three options, stamping on the one hand, plates, or adhesive stickers? Are those the three types, or is there anything else?

Dr. BOWDITCH. So far as I am aware, the plates are now used on all of the passenger cars. The VIN number goes on the instrument panel of passenger cars and is visible through the lower lefthand corner of the windshield.

Senator DANFORTH. Lieutenant, would you say that could be altered, the plates, just to replace the plate?

Lieutenant MCQUOWN. Yes, sir, it could be altered. It is possible. But the permanent stamping proves alteration.

Senator DANFORTH. Permanent stamping again is the most difficult to alter without being detected?

Lieutenant MCQUOWN. Yes, sir. Vehicles manufactured since 1981 have 17 numbers or letters, and it only requires eight of the remaining, last eight of the VIN number to be stamped. We can identify the vehicle with just the last eight numbers or letters. That is all that is required to be stamped. If we had the numbers and they were removed, then we have violations. If we do not have the numbers, we have no violations and no prosecution.

Senator DANFORTH. Thank you very much. I thank each member of the panel. We appreciate it.

Our next panel will consist of the following: Mr. Thomas G. Bowman, of the Automobile Club of Michigan; Ms. Penelope Far-

thing, of the American Insurance Association; and Mr. Donald Messmer, of GEICO.

Mr. Bowman, would you begin?

STATEMENTS OF THOMAS G. BOWMAN, INSURANCE DIRECTOR, AUTOMOBILE CLUB OF MICHIGAN; PENELOPE S. FARTHING, SENIOR COUNSEL, AMERICAN INSURANCE ASSOCIATION; AND DONALD D. MESSMER, ON BEHALF OF THE NATIONAL ASSOCIATION OF INDEPENDENT INSURERS

Mr. BOWMAN. Thank you, Mr. Chairman. I thank you for the opportunity to express our opinions on the Motor Vehicle Theft Law Enforcement Act of 1983.

I am Thomas Bowman, insurance director for the Automobile Club of Michigan and its insurance group. I represent our club's more than 1.2 million members who are sharing the increasing financial burden of auto theft.

We strongly support this bill, because it is the single most significant piece of legislation in the campaign to stop the national epidemic of car thefts. Such thefts cost our members $54 million last year, and that averages to $46.30 for each vehicle insured by our club. It also translates directly into increased premiums, especially in the urban areas, where theft costs are over 20 times as high as rural areas. In the rural areas of our State, our members pay $9.51 for theft coverage, and in the city of Detroit that cost rises to $178.22.

Because the auto club insures about one-quarter of the vehicles in Michigan, we estimate the total theft loss at nearly $220 million in Michigan alone.

Getting back to our own experience, theft claims have more than doubled in 5 years, with a 36-percent increase in the past year. In terms of dollars to replace innocent victims' cars, annual costs have nearly tripled over 5 years, skyrocketing 50 percent in 1982. Most of this dramatic growth in thefts we believe is attributable to organized criminal elements, those who operate theft rings and chop shops to obtain valuable parts on order and to sell them through an elaborate, growing network of unscrupulous dealers and buyers.

Without the legislation before you, they will continue to prosper, knowing they will avoid prosecution on lack of evidence that their products are stolen. All of this means a big profit for the thieves, a big saving for the unscrupulous buyer, and a big burden for the innocent victims. The tremendous costs then are spread across the insurance buying public, meaning the citizens of the United States of America. If the identification of vehicle parts prescribed in S. 1400 reduces thefts by only 10 percent, the savings to our policyholders will offset the mandated maximum $10 additional cost per vehicle in less than 2 years, but we believe the reduction in thefts will be even greater.

Our club has been increasingly active through the years in antitheft programs, having saved about $6 for every $1 spent, a substantial saving for our members. Through the National Automobile Theft Bureau, our club and more than 500 other insurers have joined in investigative and vehicle recovery efforts across the coun-

try. Our own full-time special investigation unit consisting of two full-time people has in the past 2 years alone led us to sign complaints and participate in the prosecution of 132 persons involved in motor vehicle related fraud. We believe that only scratches the surface.

We actively support financially and with our personnel and resources police and FBI operations, frequently lending recovered stolen luxury vehicles to enforcement agencies for surveillance and as bait in fraud cases. Effective yesterday, an ambitious new program of ACTION, arrest car thieves in our neighborhoods, is giving us new weapons in the antitheft fight. Rewards of up to $10,000 are being offered for arrest and conviction of theft ring members and chop shop operators.

A preinsurance inspection of theft-prone cars is now required to determine that each is in the hands of its rightful owner. Repair shops and salvage yards are required to show us the vehicle identification number of any major salvage part used in the repair of a car insured by us. At no charge, our claims centers and branch offices are offering to etch vehicle identification numbers on the windshield, rear window, and front door window glass of members' cars.

We are encouraging all motorists to engrave the VIN identification number on salable metal parts. We hope these considerable and expensive efforts will continue to reduce claims, but organized criminals have thwarted all of the best efforts of law enforcement, insurance, and public interest in the past, knowing that the risk of apprehension and prosecution is low and that penalties are not very severe if they are caught.

Much of the problem is that without identification of parts, there is no evidence to convict them. The application of the vehicle identification number to salable parts at the time of manufacture would do much to correct the problem in a uniform way across the country, and so with the Federal prosecution contained in S. 1400, provisions of the bill for further research and recommendation could lead to uniform vehicle titling, another weak link.

Coupled with Federal prosecution, this would do much to drive the interstate car and parts theft pipeline. Unless these bold steps are taken, all of our other efforts will be in vain, and criminals will continue to enjoy enormous profits at the expense of innocent and helpless victims.

Thank you, Mr. Chairman.

[The statement of follows:]

STATEMENT OF THOMAS G. BOWMAN, INSURANCE DIRECTOR, AUTOMOBILE CLUB OF MICHIGAN

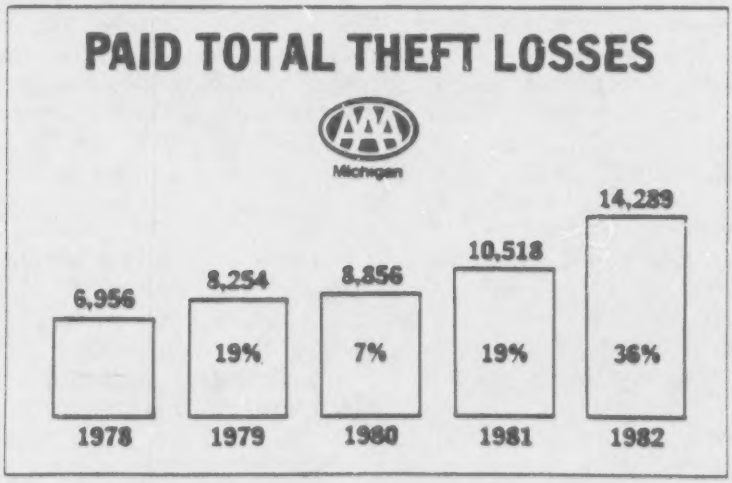
Honorable members of the Committee, I thank you for the opportunity to express our opinions on the Motor Vehicle Law Enforcement Act of 1983. I am Thomas G. Bowman, Insurance Director for the Automobile Club of Michigan and its Insurance Group.

Today I represent our Club's more than 1.2 million members who are the innocent victims of the growing menance of automobile theft. We strongly support this bill because we know it is the single most significant legislative action that can be taken to stop the spreading epidemic of car thefts in our country.

Such thefts cost our members $54 million last year in claims. Since we insure approximately one-quarter of the vehicles in Michigan, we estimate the cost of the

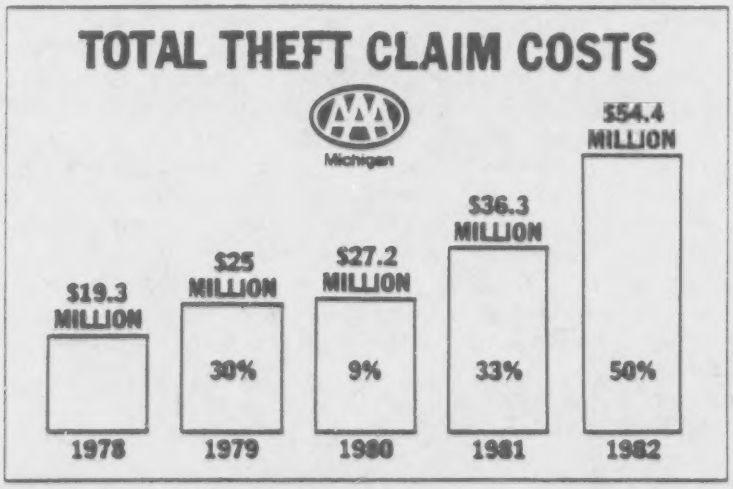
state's more than 4 million motorists at nearly $200 million last year alone. And the trends show clearly that the costs and the incidences of auto theft are rising.

This chart dramatically illustrates the meteoric rise in thefts our members have experienced in the past five years.



You will note that the number of thefts has more than doubled since 1978, with a 36 percent increase in just the last year.

In terms of dollars to compensate innocent victims, the annual cost have almost tripled over five years, with a 50 percent jump between 1981 and 1982.



The total cost for our 1.2 million plus members last year was $54.4 million, which averages out to $46.30 per vehicle, and translates directly into increased premiums. Moreover, the costs are dramatically higher in the inner cities and large urban areas where the residents are least able to bear the financial burden. In 1982, car thefts costs our non-metropolitan policyholders $9.51 per vehicle, but in the city of Detroit the cost per insured vehicle was an astounding $178.22.

The demoralizing growth in car thefts, we strongly believe, is directly attributable to organized criminal elements in the community. Theft rings and "chop shops" organize to steal cars "on order" to obtain parts that are then resold through an elaborate network of unscrupulous dealers and buyers.

There can be no doubt that the entry of organized crime has driven our rate of recovery of stolen vehicles down to about 54 percent in 1982 from a rate of almost 83 percent in 1974. Sadly, we also are getting back less of each recovered vehicle today than we did in the past. Virtually all recovered vehicles are missing some parts, and many are merely stripped-down hulks.

Indeed, the organized crime network has made motor vehicle theft a big business. In it, there is a substantial profit for the theives, a substantial saving for the buyer of a car or components and a substantial cost for the innocent victim and his or her insurer. And this tremendous cost is then spread among the people who buy insurance, meaning most of the citizens of the United States.

Without Vehicle Identification Numbers (VIN's) on components of automobiles, organized crime will enjoy even higher profits in the future. As we know, the criminal justice system is helpless in attempting to obtain evidence that parts actually are stolen because there is no foolproof way to trace them to their origin. And without concrete evidence against them, criminals are free to ply their trade with little or no fear of prosecution.

If the identification of vehicle parts prescribed in S. 1400 reduces thefts by only 10 percent, the savings to our Club's policy holders will offset the mandated $10 additional cost per vehicle in less than 2 years. But we believe the deterrent effect will bring a reduction in thefts of much more than 10 percent.

I would like to give you a brief overview of our own anti-theft efforts and our experiences to further demonstrate the need for this legislation and how it will help do the job that must be done.

Our Club has been increasingly active through the years in anti-theft programs that have cost about one-sixth of what they have saved our members.

Through the National Automobile Theft Bureau, the Automobile Club of Michigan and more than 500 other insurers have joined in investigative and vehicle recovery programs that have reduced losses across the country.

Our own full time special investigation unit of two highly trained agents has, in the past 2 years, led us to sign complaints and participate in the prosecution of 132 persons involved in motor vehicle related fraud.

We have actively supported, financially and with personnel and resources, a number of police and FBI undercover sting operations, working vigorously with enforcement agencies to prosecute thieves.

We have a long-standing policy of lending to enforcement agencies recovered stolen luxury vehicles for surveillance and for use as bait in fraud cases.

Automobile Club of Michigan was a founding member of the Michigan Anti-Car Theft Committee which is funding an inter-jurisdictional police task force to handle theft investigations that cross city and county boundaries.

For a number of years our Club has had a reward program for the arrest and prosecution of car theives. This program has produced about a dozen $200 rewards, on average, for each of the last several years.

The total cost of these programs in 1982 was just over $1 million, with identified savings and vehicle recoveries amounting to $6.2 million. But as an insurer and a corporate citizen of Michigan we have determined to do even more to protect our policy holders.

Therefore, effective July 18, an ambitious new program of ACTION (Arrest Car Thieves in Our Neighborhoods) was initiated to give us new weapons in the battle against vehicle theft. Rewards of $1,000 are being offered for information leading to the arrest and prosecution of individual car thieves; up to $10,000 for the arrest and conviction of theft rings and chop shop operators.

A statewide toll-free telephone line has been installed to receive information from citizens on thieves and theft rings, with anonymity offered to the tipsters.

A pre-insurance inspection of theft-prone vehicles will be required to determine that each is in the hands of its rightful owner.

Repair shops and salvage yards will be required to show us the VIN of any major part utilized in the repair of a car insured by us.

At no charge, our Claim Centers and branch offices are offering to etch VINs on the windshield, rear window and front door window glass of members' cars.

We are encouraging all motorists to engrave the VIN on saleable metal parts.

With the window glass etching we are providing special warning stickers to be affixed to the front door windows to tell aspiring thieves as well as police officers that the car has been given extra identification.

The overall program has been given wide publicity and we hope to have etching completed on over 150,000 vehicles by the end of summer.

But as innovative as these efforts are, we know they are not enough.

The principal reason for the success and ease of operation for organized criminals is that most vehicle parts are not traceable. With the exception of the engine and transmission which are stamped with VINs, once any other part is removed from a vehicle it cannot definitely be tied to its source.

The front fenders and bumper used by a body shop to repair a wrecked vehicle may have come from a legitimate salvage yard or from a car that was stolen the night before. Of course the cost to an unscrupulous body shop operator is considerably lower if he chooses to use this second source of supply.

In many cases, the police know where the chop shops are, but without a strong chain of evidence there can be no hope of successful prosecution and the enforcement system has to literally stand by and watch while the criminals prosper.

If the vehicle identification numbers were stamped on parts, the originating vehicle could easily be identified and the police would have solid evidence for the prosecution of all involved.

Other elements of S. 1400 also will help close the pipeline that moves stolen cars and stolen parts into the hands of those who illicitly resell them at enormous profit. The specter of federal prosecution is much more effective than state and local laws that form a national patchwork. Interstate movement is vital to car theft rings because of varying state titling provisions. Uniform vehicle titling, which could grow out of the legislatively-mandated study, would further curtail organized thieves' distribution systems.

Allow me to close on behalf of the more than 1.2 million members of the Automobile Club of Michigan by urging you to move this legislation forward and hasten its enactment. We have tried virtually every other avenue to stem the epidemic growth of organized car theft. It is clear that without the ability to identify parts by Vehicle Identification Number, our way will be blocked. And if that is the case, criminals will continue to enjoy outrageous profits at the expense of innocent and helpless citizens.

I thank you for your kind attention.

[The following information was subsequently received for the record:]

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question. Are you aware of evidence showing that partsmarking does significantly reduce vehicle thefts?

Answer. Our experience with recoveries of total theft vehicles has shown that the two major components currently stamped with Vehicle Identification Numbers, engines and transmissions, are left untouched by the thieves. Similar testimony has been entered in previous Congressional hearings by ex-car thieves.

The GM and Ford pilot studies showed little difference in theft and recovery rates, but these programs failed to benefit from general knowledge among thieves, and ultimate stolen vehicle and component purchasers, that the vehicles' components were marked.

We have introduced a program requiring suppliers to provide a VIN of the source vehicle for any used parts we purchase for repairs to wrecked vehicles. Had insurer and legitimate body shops known of the marked components, the market and theft rates would have decreased significantly. When everyone knows that components are marked, the market for stolen parts will diminish substantially. Without an outlet for the disected parts, organized theft rings and chop shops will not have the demand that rings up their profits.

Vehicle component identification alone, though, will not be sufficient. Without fear of conviction or facing substantial fines and imprisonment, stolen part buyers will continue to enjoy hefty "discounts", whether or not component parts are marked.

Any law enforcement official heavily involved in auto theft will substantiate these points. Finding the chop shops is not difficult· arrest and conviction of the participants without evidence of their parts sources is.

Without stamped identification, a stolen part is not identifiable as such and no evidence is available to prosecute known thieves.

We can only present our experience and that of others close to this type of crime. Empirical data is obviously not valid because tests cannot duplicate the real world environment when all vehicles' major components are marked and the world is "on the streets".

But we are convinced strongly enough to undertake our statewide vehcile window etching program and have had over 26 major law enforcement agencies agree to

participate in the first week the program was announced. Under this program, four pieces of auto glass are chemically etched with the vehicle's V.I.N. The process which takes about ten minutes per vehicle includes attaching warning stickers on the glass near the door locks to let thieves know the vehicle's parts are identifiable.

Question. What is your estimate of the implementation costs of S. 1400?

Answer. While there are many elements connected with implementing this program, primarily in terms of publicity, the two key elements are the cost to manufacture and the cost to administer substitute part documentation.

With respect to manufacturer costs, G.M. and Ford have shown the cost to be around $3 to $5 per vehicle. In an eight million vehicle model year production, that amounts to less than 1 percent of the annual loss in vehicle thefts nationwise. From that perspective, the program wouild be cost effective if it only proved to reduce thefts by one percent!

Development of a replacement part identification system could be accomplished by an installer engraving program which leaves the initial number intact and documents the V.I.N. of the vehicle receiving the part.

The cost of an engraver is nominal and the added time in the repair process is insignificant. The retention of the initial stamping and subsequent engravings still enables parts to be traced.

With Law Enforcement Information Networks and the computerized National Auto Theft Bureau resources, car theft investigations will be far more cost effective, reducing the time wasted investigating, without the ability to find evidence to convict.

Additional savings will be reflected in the reductions in premiums to policyholders who will not have to continue paying for the undeterred growth of car thefts.

Similar returns will ensure to state and federal governments through the recovery of tax dollars on the legitimate sale of parts that are now being sold by untaxed illegal "vendors".

The implementation costs are significant in comparison to the drain the current situation is placing on the economic system.

Senator DANFORTH. Thank you very much.

Miss Farthing.

Miss FARTHING. Thank you, Chairman Danforth. It is always a pleasure to appear before your committee. As a representative of the insurance industry, we particularly commend you for your advocacy of a number of issues which directly affect our business.

I am here today in two capacities, one to represent the American Insurance Association, of which I am senior counsel, and second, to represent the Coalition to Halt Automotive Theft. We call our group CHAT. It is an amalgam of law enforcement entities, auto insurers, rental car and truck operators, auto dismantlers, State motor vehicle officials, scrap dealers, and consumer groups. As a matter of fact, our latest member is the Consumer Federation of America.

Our organization is a rather disparate one. We think it represents the broad nature of organizations that are affected by the crime of auto theft. We formed the organization in 1979 because we had worked on many State and local problems regarding auto theft and decided that we simply must have a Federal cure. We think S. 1400 represents that Federal cure.

My employers, the American Insurance Association, represent about 150 property casualty insurers. We write over $8 billion of auto insurance each year. We represent about 20 percent of the market. Consequently, we have an abiding interest in the problem of auto theft.

You have heard a number of witnesses today describe the bill and what we believe it will do for the problem of auto theft. From the point of view of my association, its single most important part is vehicle identification numbering. Without that, as the law en-

forcement officers on the previous panel and my colleague here pointed out, there is no way of identifying what in fact is a stolen part. It is essential that this bill retain that characteristic.

The Congress has before it a more narrow bill that would affect only the import-export problem, a drop in the bucket. We appreciate the significance of that problem, but it pales besides the broader area of auto theft that S. 1400 addresses in a more sweeping way.

Consequently, the enactment of S. 1400 is a principal goal of the Coalition to Halt Auto Theft, and is a high priority for the American Insurance Association. This bill is not onerous. It is a kind of modern regulation in the fact that it has a cost benefit calculus built into it, and because it has a sunset provision written in. The studies that are called for within the bill are also good ideas. It is not overregulation. It is not an example of an expensive cure for an inexpensive problem.

Auto theft costs American people $5 billion a year. Ten dollars per car is not too much to ask. That sum would be more than absorbed in the decrease in auto insurance premium over the life of the car. We think it is a low price to pay.

We are particularly pleased that Senator Percy chose to introduce this bill, and we would like to commend the cosponsors, Dixon, Lugar, Laxalt, and D'Amato, who all joined him in the work on this bill. We think that S. 1400 is a modest and thoughtful approach to a serious problem. We have been informed that the House subcommittee which is considering a companion bill will move expeditiously, and we hope that with your leadership this bill will move quickly through the Senate.

The Coalition to Halt Auto Theft and the American Insurance Association looks forward to a speedy enactment of this bill.

[The statement follows:]

STATEMENT OF PENELOPE S. FARTHING

My name is Penelope Farthing and it is my pleasure to appear before you on behalf of the Coalition to Halt Automotive Theft (CHAT) of which I am Vice Chairman. I am Senior Counsel of the American Insurance Association, one of the organizations which belongs to CHAT.

The American Insurance Association is a trade association of about 150 property-casualty insurers, both stock and mutual, who do business in all 50 states. Our members write about $8.424 billion annual premium in auto insurance, or about 20.3 percent of the total in force. Consequently, we have an abiding interest in the problems of auto theft and wish to express at the outset our firm support for S. 1400 because we believe it represents an appropriate response to a truly interstate problem.

It was our interest in auto theft which led us to join with several other groups in 1979 to form the Coalition to Halt Automotive Theft. CHAT is composed of law enforcement entities, auto insurers, rental car and truck operators, auto dismantlers, state motor vehicle officials, scrap dealers and consumer groups, as well as ad hoc anti-theft task forces. Ronald Sostkowski of the International Association of Chiefs of Police is the current Chariman of CHAT. He has been a vigorous proponent of our legislative goal. I attach a news release describing Mr. Sostkowski's professional background. The membership of CHAT may appear to be an unlikely combination of interests but we believe our roster shows the pervasiveness of auto theft and the disparate nature of the interest groups affected by these crimes.

A principal reason why we formed CHAT was because many of us had worked together on state and local anti auto-theft campaigns.

Our joint experience in those efforts convinced us that a Federal response is indispensable if we truly want to halt auto theft in the United States. Against this back-

ground, the members of CHAT supported predecessor bills in the House and Senate to S. 1400 in the 96th and 97th Congress.

We understand that most Federal legislation is enacted after a gestation period of some length. With regard to the problem at hand, we are convinced that the time has come for enactment of this bill. Both the House and Senate have held hearings over the last 4 years examining the generic problems of auto theft and "chop shops" as well as on the merits of the earlier bills after which S. 1400 is modeled.

Certainly, the motor vehicle theft situation has not improved in the interval during Coungress' consideration of this issue. On the contrary, the Federal Bureau of Investigation's Uniform Crime Reports tells us that the estimated cost of auto theft in 1981—the latest year for which data is available—is $3.4 billion, up from $3.2 billion in 1980. One out of every 150 registered motor vehicles was stolen during 1981. Similarly, the average value of the stolen vehicle is now $3,173. At the same time the aggregate value of stolen vehicles is increasing, the value of recoveries is decreasing—51.7 percent in 1981. This figure is firm evidence, we believe, of the efficiency of professional criminals and actual cost to society of this crime.

We emphasize that auto theft is not a victimless crime. All motorists must pick up the tab for such thefts because of the risk spreading nature of the insurance mechanism. All of us also contribute tax dollars to the anti-auto theft efforts of law enforcement groups. In these inflationary times, when automobiles are extremely costly and U.S. unemployment is distressingly high, we believe a $4 billion annual cost of auto theft is prohibitive.

An important reason why state and local anti-auto theft crusades have met with limited success to date is because chop shops cannibalize stolen cars and then promptly "fence" or sell the unmarked parts. Without Vehicle Identification Numbers (VIN), it is impossible to identify parts of a vehicle once this process begins. For this reason, we believe the Department of Transportation will determine it to be cost beneficial to mark additional parts with VIN numbers. The numbering requirements of Title I should be enormously useful in reducing the attractiveness of auto theft as a quick, clean, nearly risk-free crime. The penalties provided in Title II should also operate as a powerful deterrent for potential auto thieves and traffickers in stolen parts. Auto theft is pervasive throughout the U.S. and action by a single state simply causes auto thieves to transfer their operations to another, safer haven. As one would expect, large cities experience the highest frequency of car thefts but they experience greater incidences of other crimes as well.

I attach for your information a fact sheet prepared by CHAT which cites some more statistical evidence for the position we espouse here today.

Insurance industry figures illustrate that certain kinds of vehicles are most frequently stolen. Motorists who purchase such vehicles pay a higher premium for the comprehensive portion of their coverage, that portion which protects against theft and vandalism. I attach for your information a table prepared by the Highway Loss Data Institute which reflects those cars most likely the targets for thieves.

The insurance industry is aware that auto theft is an international as well as an interstate crime. In this context, the law enforcement efforts of states and localities certainly would require Federal assistance. We believe the importation and exportation measures which appear as Title III in Senator Percy's bill will be useful in inhibiting thieves in moving these hot cars and parts in the international black market.

With respect to the motor vehicle security standard rulemaking provisions, note the maximum number of parts which the Department may order a manufacturer to mark and the maximum dollar outlay which these may cost the automakers. We find that these ceilings are reasonable. This bill "builds in" protection against agency heavy handedness with its requirements for cost/benefit computation and with its sunset provisions.

All in all, we view S. 1400 as a modest and thoughtful approach to an enormously costly national problem. We hope S. 1400 moves swiftly this year in view of its extensive history and the impact of the crime it addresses. We commend Senator Percy as well as Senators Dixon, Lugar, Danforth, Laxalt and D'Amato as cosponsors and we urge speedy enactment of this legislation.

[The following information was subsequently received for the record:]

AMERICAN INSURANCE ASSOCIATION,
FEDERAL AFFAIRS DEPARTMENT,
Washington, D.C., August 23, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Surface Transportation Subcommittee, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR CHAIRMAN DANFORTH: This is in response to your letter of August 9th in which you raise several inquiries about my presentation before your Committee last month. Specifically you inquired 1) How much will insurance cost decrease when S. 1400 is implemented; 2) Certain vechicles are more likely to be stolen than others—since certain areas have a higher incidence of auto theft than others—does this argue for (1) a local approach or (2) component marking only in high-risk car lines?

With response to your first question it is impossible to calculate the exact impact S. 1400 will have on insurance cost. However, the Association is confident that the insurance premium decreases will more than compensate for the amount that parts marking would add to the cost of a car once the impact of parts marking can be fully evaluated by insurers.

In response to question 2, the higher incidence of auto theft among certain lines suggests that some cars certainly ought to be considered for marking at the earliest possible moment. At the same time while there is a market regional variation in auto theft, because of the mobility of the vehicle itself and the inability of the auto makers to know what the actual destination is of any car they produce, particularly once it goes beyond the initial purchaser for whom it is ordered it would seem that Option 2 would be the more desirable.

It was a pleasure for the Association to appear before you and we shall be looking forward to other opportunities to assist your Subcommittee. With thanks and best personal regards I am,

Sincerely yours,

PENELOPE S. FARTHING,
Senior Counsel.

Senator DANFORTH Thank you very much.

Mr. Messmer.

Mr. MESSMER. My name is Donald Messmer. I am vice president of claims for GEICO, and I am representing both GEICO and the National Association of Independent Insurers, an association of approximately 500 insurers.

We, too, support S. 1400 and certainly support its intent in the identification of parts title I. We also want to emphasize title III, which we strongly favor. The cost of a Mercedes hood is currently $644.16. A deck lid, or the rear trunk lid, is $624. The cost of a Mark VI Lincoln 1982 model hood is $416.65, and a deck lid $422.75. There is profit in the sale of parts. We endorse some method of identifying the parts.

However, we do not want to overlook the impact of the export provisions, which we feel very strongly, are important to this legislation. We therefore also support S. 1399, a counter to the House bill which has already passed on exports. Vehicle export and export controls need strengthening particularly with regard to cargo shipments before the vehicles are loaded and shipped. Theft recoveries have diminished from a high of 90 percent in 1960 to 51 percent in 1983.

GEICO in one of its recent regional studies revealed a difference in the theft recoveries in port locations. The entire regional recoveries in 1981 were 71 percent compared to 56 percent in the port cities. In 1982, 62 percent for the region, but only 51 percent in port cities, and in the first quarter of 1983, 65 percent as compared to 28 percent.

In the city of Miami, our recovery in 1983 has been 23.9 percent: in Houston, 35.3 percent; in New Orleans, 7 percent. That is on a value of approximately one-half million dollars in vehicles.

We therefore do strongly support the export provisions, and would like to see this provision passed regardless of how it gets through the legislation. We are strongly in favor of it.

We also, of course, would like to see this legislation passed as it is.

Thank you.

[The statement follows:]

STATEMENT OF DONALD D. MESSMER, VICE PRESIDENT FOR CLAIMS, GOVERNMENT EMPLOYEES INSURANCE CO. (GEICO) REPRESENTING THE NATIONAL ASSOCIATION OF INDEPENDENT INSURERS

Mr. Chairman, members of the subcommittee, I am pleased to appear before you today on behalf of the National Association of Independent Insurers to voice support for Senator Percy's bill, S. 1400.

I am Donald D. Messmer, Vice President for Claims of Government Employees Insurance Company (GEICO), the nation's fifth largest publicly-owned property/casualty insurance company. I am also on the Executive Steering Committee of NAII's Claims Committee and I am Vice Chairman of the National Automobile Theft Bureau Board and Chairman of its Executive Committee. NAII is the nation's largest property/casualty insurance trade association with more than 500 member companies. Our members write nearly half of the automobile insurance in the country.

S. 1400 requires that major component parts of vehicles be numbered to assist law enforcement in prosecutions. It also increases criminal penalties for traffickers in stolen vehicles and parts and improves export procedures. In particular, we believe that Title III of the bill, which contains the export provisions, will have an immediate impact on curbing auto theft. Therefore, my statement will focus on this aspect.

Each year vehicle thefts cost the American public over $4 billion. In 1982 GEICO alone experienced insured claim costs for vehicle theft of nearly $25 million.

The recovery rate of stolen vehicles has suffered a severe decline in the last several decades—from a high of 90 percent recovered in 1960 and 78 percent in 1975 to a drop from 55.5 percent recovered in 1980 to 51.7 percent in 1981, the latest year we have statistics for. This is the lowest recovery rate in history.

No one knows for certain how many stolen vehicles are exported out of the United States each year since there are no adequate controls over the exportation of automobiles. We can only estimate the magnitude of the porblem.

However, we are firmly convinced that, along with the growth of chop shop activities, the illegal exporting of vehicles is contributing sgnificantly to the theft problem in this country. This export theft problem not only affects the insurance industry, but, in many cases,, uninsured individuals must sustain the loss.

Ten states accounted for 68.98 percent of all motor vehicle thefts in 1981. The leading states in number of thefts reported were: California, New York, Texas, Michigan, Massachusetts, Illinois, New Jersey, Ohio, Florida and Pennsylvania. It's important to note that all ten states are either seaports or have access to the Great Lakes port facilities.

GEICO conducted a study of recovered theft statistics in one of our regions. The study consisted of comparing total theft recoveries in the following port cities—Charleston, Houston, Jacksonville, Miami, Mobile, New Orleans, Savannah and Tampa—to the combined recovery ratio of the entire region which consisted of 29 states. The results were:

A recovery rate of 71 percent for the entire region in 1981 compared to a 56 percent recovery rate for port cities alone.

A recovery rate of 62 percent for the entire region in 1982 compared to a 51 percent recovery rate for port cities alone.

For the first quarter of 1983 the regional recovery rate was 65 percent compared to a recovery rate of only 28 percent for port cities. By comparison, the first quarter of 1982's recovery rates were 61 percent for the port cities.

In addition to the seaport exportation of vehicles, the Justice Department estimated that 10-20,000 stolen vehicles annually are transported to Mexico.

The failure of other nations to have adequate registration and title laws and our own country's inadequate export controls explains why this activity is so profitable for auto thieves. A number of countries do not recognize a specific document as a

certificate of ownership. Criminals can export vehicles to foreign nations and at the same time retain the original certificates of title. The certificates of title for previously exported vehicles are then used in insurance fraud. In these cases, a claimant may falsely state that a vehicle has been stolen. Under existing procedures in State Departments of Motor Vehicles, there is no record that a stolen vehicle has been exported from the United States. In addition, there is no generally available document attesting to the fact that a vehicle title has been surrendered prior to its exportation.

To ship a stolen vehicle out of the country, an individual need only fill out a shipper's export declaration. This declaration inadequately identifies the item shipped without the positive identification available through the use of Vehicle Identification Numbers (VIN's). A shipper even has up to 72 hours after the vessel has sailed to report to U.S. Customs that the vehicle has been exported. Under this system, Customs does not have the necessary tools to control stolen vehicles leaving the country. Once a stolen motor vehicle is out of the country, no paper trail exists, and it becomes almost impossible to trace and recover.

Title III of S. 1400 is a useful first step in attacking the problem of illegal exportation of stolen vehicles by requiring exporters to record the VIN and to file the Export Declaration with Customs before sailing. A $500 fine would be charged to anyone not complying with these regulations. This may be too low. In addition, anyone who exports or imports a stolen vehicle or one with an altered VIN could be fined up to $10,000 and subject to up to five years imprisonment. This would give law enforcement needed powers where presently amazingly few exist. Protection of a U.S. citizen's stolen property illegally introduced into international commerce is a responsibility of the U.S. Government.

In conclusion, NAII and GEICO support S. 1400 and we believe that Title III is a particularly worthwhile. However, if the Senate determines that the bill is not acceptable in its entirety, we urge that prompt action be taken to close this loophole in our laws relating to the exportation of vehicles. To accomplish this, Senator Percy has introduced an export bill separately, S. 1399, and it is currently before the Senate Finance Committee for consideration. A similar measure was recently passed by the House as part of H.R. 3398, a minor trade bill. We also note the administration supports this measure and we know of no opponents.

[The following information was subsequently received for the record:]

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question. You stated in your testimony that ten states accounted for the majority of all motor vehicle thefts. Does this argue for a state-by-state approach?

Answer. Although ten states account for the majority of all thefts, motor vehicle theft is a national problem due to the increasing involvement of professional thieves in "chop shop" parts activity, and the exportation of cars and parts abroad.

One countermeasure developed by the Federal Interagency Task Force which examined this matter, which is strongly endorsed by the law enforcement community, involves numbering of major component parts of motor vehicles. Since it would be impractical for the states to individually require and enforce such requirements, it makes sense to do this at the national level.

Another countermeasure developed by the Task Force would require shippers to present the vehicle and an export declaration with the vehicle identification number to Customs officials prior to shipment in order to close a loophole in our export laws. Obviously this must be done at the national level.

These two countermeasures, along with increased criminal penalties for traffickers in stolen cars and parts, are the main features of S. 1400.

Insurers are working vigorously with state and local task forces to attack the problem of auto theft through stricter enforcement and tighter laws. However, component part numbering and stricter export controls are two countermeasures which would have a significant impact on the problem and should be implemented on the national level.

Question. How much will theft insurance costs decrease once S. 1400 is fully implemented?

Answer. Obviously, the impact the bill has in reducing auto theft will determine the effect on insurance rates. Any attempt to measure that impact now would be speculative, but we note that the bill is strongly supported by the law enforcement community which deals with the problem on a daily basis.

NAII's witness at House subcommittee hearings held on auto theft in 1980 was asked to furnish information on this issue assuming a modest 10 percent decline in the auto theft rate. At that time, we said: "With the annual theft portion at $2 billion in 1980, that would mean a $200 million premium savings to the American consumer. (The real savings would be felt in many other areas of the $4 billion cost of vehicle theft, e.g., societal and law enforcement cost reductions.)"

NAII's statistical department informs me that since that statement was made little has happened to necessitate changing these figures, except that a slight increase in theft premiums has occurred which is attributable to increased theft losses.

Senator DANFORTH. Thank you all very much. Let me just ask you this question. I think Attorney General Ashcroft pointed out at the beginning that a lot of people feel when there is a car theft that takes place, that it is a victimless crime, that in effect the car has been sold to the insurance company. Can we, if we pass this bill, assure automobile owners that their premiums will be lower because of this bill? If the answer to that is yes, then what is your best judgment as to how much lower insurance premiums will be?

Mr. BOWMAN. I think that the insurance premiums are directly reflective of the motor vehicle theft rate as it relates to automobile thefts. To answer your question, the second part of your question first, I would think that we would see an effect on premiums if theft rates were reduced. How much to predict is dependent on how effective the bill is. The premiums reflect the losses. If losses are high, premiums are high. When losses are lower, premiums are lower.

Senator DANFORTH. I understand all that, but can we assure owners that their premiums would be lower because of this legislation, and if so, what is your best guess as to how much lower?

Mr. BOWMAN. I cannot give you a guess, Senator, but I can certainly say that we believe this bill will significantly reduce the theft rate, which will significantly reduce the number of losses, which will in turn reduce premiums. I am sorry I cannot be more exact than that.

Senator DANFORTH. Thank you.

Miss Farthing.

Miss FARTHING. I would just indicate that the auto theft shows up in your automobile insurance premium in connection with the comprehensive coverage, and about 40 percent of that is the theft portion. To put a dollar figure on your question, I am afraid I will have to agree with my colleague here. We are confident that the bill would reduce auto thefts, and that that would bring down the premiums, but I think it would be premature to say exactly what that is.

I regret having to give you a less than tiny, narrow answer, but that is not the kind of question that lends itself to that.

Senator DANFORTH. Thank you.

Mr. Messmer.

Mr. MESSMER. I have to echo part of this. We do feel the export provisions could have immediate impact and therefore would start reflecting in the rates in a year or two. On the marking of vehicle parts, we think that new production would be slow in permeating the total population of vehicles and therefore the deterrent in stealing vehicles with marked parts would probably be much slower, and probably take 2 to 10 years as Mr. Gilliland stated.

Senator DANFORTH. You know, it is a major selling point of the bill to be able to say, if it is true, yes, the sticker price of automobiles will go up, it will increase the cost of a car by how much, $10 or whatever, that it will increase the cost of a car; however, you, the car buyer, will end up on the plus side financially because of this bill. I do not know. Is that your testimony or not? Will they end up on the plus side financially, or is it just all so confusing that we cannot say that?

Miss FARTHING. They will end up on the plus side financially certainly.

Senator DANFORTH. Significantly?

Miss FARTHING. Significantly. We think once the bill passes, and the people who are involved in auto theft will see that all of a sudden this hobby, this occupation of theirs is not as risk free as it once was, we think they will turn to other forms of endeavor. We anticipate there will be a dramatic decrease in auto thefts because, once the car is cannibalized, the parts move quickly when it becomes known that that is a more risky occupation, we think the participants will move also.

Senator DANFORTH. Do you agree, Mr. Bowman, that it is a significant plus financially for the car buyer?

Mr. BOWMAN. I think certainly in the urban areas of our Nation, where theft is an enormous problem, yes, there will be some significant changes.

Senator DANFORTH. Do you agree, Mr. Messmer?

[Mr. Messmer nods affirmatively.]

Miss FARTHING. Let me say one other thing. Some particular makes of cars are high theft, and their comprehensive premium is much, much higher. I listed as an appendix to my testimony the top 10 favorites with car thieves. Those motorists I should think would notice an immediate marked decline. The BMW 320i, the Volkswagen Scirroco, those kinds of cars would become much less expensive to insure as their attractiveness to auto thieves declined.

Mr. BOWMAN. Senator, let me add this. Our company has a make and model rating program, and one of the elements of the make and model rating program is the incidence of theft in certain kinds of automobiles. Some of those premiums are stepped up as much as 20 percent on cars that have a high incidence of theft. I think that program is popular with many carriers in the industry. That program certainly would show an immediate shift if the theft rate were to go down.

Senator DANFORTH. Thank you all very much for your testimony. It has been very useful testimony.

This does conclude the hearing, and we hope that in the reasonably near future we will be able to mark up this bill. Thank you.

[Whereupon, at 11:37 a.m., the subcommittee was adjourned, to reconvene upon the call of the Chair.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 19, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Subcommittee on Surface Transportation, Committee on Commerce, Science, and Transportation, Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to offer my support for S. 1400, the Motor Vehicle Theft Law Enforcement Act, under consideration by the Subcommittee on Surface Transportation.

Three are over one million car thefts annually, costing the taxpayers over $4 billion. Every 28 seconds a motor vehicle is stolen in the U.S. Four out of every ten cars stolen are never located. Many of these stolen cars are exported.

Title III of S. 1400 is a vital first step in fighting this problem. Under present law, a thief needs only to drive a car to the dock, announce a desire to ship the vehicle and pay the freight charge. It's that simple. There is no verification that the car belongs to the shipper, or that the shipper is authorized to send the vehicle.

Title III would require shippers to record vehicle identification numbers (VIN) with Customs before exporting. The section makes it a federal offense to import or export stolen vehicles, aircraft or their parts, with knowledge that the vehicle or part was stolen. It also prohibits the importation or exportation of vehicles or parts whose identification number the importer or exporter knows to have been removed, obliterated, tampered with or altered. These offenses would be punishable by a fine of $10,000, up to five years imprisonment, or both.

This title, as a freestanding section, was passed by the House of Representatives, with minor differences, on June 28, 1983, by a vote of 368 to 43. The measure was originally introduced as H.R. 1744 (Senate companion as S. 1399, introduced by Senator Percy), and incorporated into and passed as part of H.R. 3398, Miscellaneous Tariff Amendments. I was encouraged by the support shown by my colleagues. The passage of this bill is just a first step, but it is a clear signal of commitment by Congress to adequately deal with the problems of auto theft.

Both Houses have considered this legislation in previous sessions of Congress. We have heard from numerous witnesses and from various Committees. The problem of auto theft continues to grow, however. It is time we took action.

This bill puts car thieves on notice that the American public will no longer tolerate the tremendour financial drain that stolen cars represent. The days of easy exportation or importation of stolen vehicles end when this bill is signed into law. I commend the Subcommittee on Surface Transportation for its swift action on the bill. I am happy to offer my support.

Sincerely,

FORTNEY H. (PETE) STARK,
Member of Congress.

FORD MOTOR CO.,
AUTOMOTIVE SAFETY OFFICE, ENVIRONMENTAL
AND SAFETY ENGINEERING STAFF,
Dearborn, Mich, July 28, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Surface Transportation Subcommittee, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, D.C.

DEAR SENATOR DANFORTH: Mr. V. J. Adduci has sent to Ford Motor Company (Ford) for our response a copy of Senator Percy's first question (attached to your letter dated July 19, 1983 to Mr. Adduci). This question reads:

"Lt. McQuown testified that Ford had discontinued the numbering on certain medium-to-heavy duty trucks. Isn't that a step backward? How can you justify this

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kind of action in view of the handicap this creates for law enforcement? How can a voluntary program work if this happens?"

Contrary to the testimony at the hearing, Ford has not discontinued the identification numbering of any such truck, or of any other vehicle which it manufactures. Perhaps some have been mislead by the absence of a vehicle identification number (VIN) plate adjacent to the windshield, on the left top surface of the instrument panel (cowl top), of Ford trucks whose gross vehicle weight rating (GVWR) exceeds, 10,000 pounds. In conformity with Federal Motor Vehicle Safety Standard (FMVSS) No. 115, Section 4.4 [1] a VIN plate does appear at that location in all of our passenger cars and multipurpose passenger vehicles, as well as in trucks that are rated at 10,000 pounds GVWR or less.

Our heavier-duty vehicles are not regulated by Section 4.4, but must conform to Section 4.3 of the standard.[2]

In conformity to Section 4.3, the VIN is indelibly imprinted on a label permanently affixed to the cab near the door latch striker pin of the driver's door. In this location VIN is readily visible when the driver's door is opened.

This VIN label is designed so that it cannot be removed intact from the vehicle. If attempts are made to remove it, the label is designed to display the word "Void" or diagnal cancellation lines across its face. To insure the proper application of the label and that the correct VIN is printed on the label, it is inspected twice at the truck assembly plant. Accordingly, the presence of the VIN label on the vehicle offers law enforcement officers the same degree of assurance of the vehicle's identity as would a VIN plate affixed to the cowl top. Conversely, the absence or alteration of a VIN label (like the absence or alteration of a VIN plate) would suggest to the investigating officer that additional information about the vehicle's ownership would be required.

It must also be mentioned that this VIN label, while incorporating some of same security features, is not the Safety Compliance Certification Label ("Federal Sticker") to which many auto theft investigators refer.

Ford pickups (F100/250/350) rated at 10,000 pounds GVWR or less have a similar cab configuration as some conventional style heavier-duty Ford trucks (e.g., the F600/700/800, etc.). The left top surface of the "crash pad" of this cab configuration is "cut out" to permit an unobstructed view of the VIN plate when it is affixed to the cowl top of trucks rated at 10,000 pounds GVWR or less. However, in the heavier-duty trucks, no VIN plate is affixed to the vehicle in this "cut-out" area. This fact might lead one unacquainted with our practices to conclude erroneously that we had inadvertently failed to affix a VIN plate to these vehicles.

For four model years, Ford has been affixing the VIN label to the cab of all its medium-to-heavy-duty trucks, and has been using the light truck (F100/150/350) "crash pad" with the "cut out" on its F-Series (e.g., the F600/700/800, etc.) medium-to-heavy-duty trucks. The concerns expressed at the hearing are the first we have heard about the vehicle identification method we are employing on our heavy-duty trucks. Had state titling and registration authorities, other law enforcement officials, or customers been concerned with our VIN labeling practices, we believe those concerns would have been brought to our attention by this time.

In view of these facts, we are puzzled as to why it was concluded that Ford had "discontinued" the numbering of certain medium-to-heavy-duty trucks. Ford has never affixed a VIN plate to the cowl top of these trucks, although we have always identified these vehicles with VINs. Also, so far as we are aware, no other truck manufacturer affixes a VIN plate to the cowl top on comparable vehicles.

In addition to attaching a VIN lable to the cab of each medium-to-heavy-duty truck, Ford also voluntarily die stamps a derivative of the vehicle identification number on the engine, the transmission, each rear axle, and the frame of each such vehicle. (A VIN derivative has fewer characters than the complete VIN but is directly traceable to the complete VIN.) We know of no other manufacturer who pro-

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[1] Section 4.4 reads, "The vehicle identification number and check digit for passenger cars and trucks of 10,000 pounds or less GVWR shall be located inside the passenger compartment. They shall be readable, without moving any part of the vehicle, through the vehicle glazing underdaylight conditions by an observer having 20/20 vision (Snellen) whose eye-point is located outside the vehicle adjacent to the left windshield pillar. (emphasis added)

[2] Section 4.3 reads, "The vehicle identification number and check digit of each vehicle shall appear clearly and indelibly upon either a part of the vehicle other than the glazing that is not designed to be removed except for repair or upon a separate plate or label which is permanently affixed to such a part." FMVSS 115 prempts state regulations as to all aspects of vehicle performance to which it pertains. 15 U.S.C. § 1392; see Vehicle Equipment Safety Commission v. National Highway Traffic Safety Administration, 611 F. 2d 53 (4th Cir. 1979).

vides this degree of additional component identification. We provide this additional identification to assist law enforcement officers in identifing stolen vehicles and parts, and to provide evidence to convict vehicle thieves.

Far from taking any step backward, we believe that Ford is in the forefront of vehicle manufacturers in providing anti-theft assistance to law enforcement officers. In this regard, Ford is also the only manufacturer that is presently conducting a voluntary program of additional component identification on passenger vehicles to determine its impact on vehicle theft.

We request that the record reflect our response to Senator Percy's question.

Sincerely,

R. E. MAUGH, *Director.*

AUTOMOTIVE PARTS & ACCESSORIES ASSOCIATION,
Lanham, Md., August 1, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Subcommittee on Surface Transportation,
U.S. Senate, Washington, D.C.

DEAR SENATOR DANFORTH. We appreciate the opportunity to provide the following comments and insights for the hearing record concerning S. 1400, the Motor Vehicle Theft Law Enforcement Act of 1983.

The Automotive Parts and Accessories Association represents manufacturers, distributors and sellers of automotive products in the independent aftermarket. Among these products are a vast range of vehicle security devices. Unlike the original equipment (OE) market where auto products are produced by or are sold directly to the new vehicle manufacturers, products in the aftermarket are sold to those independent of the new car manufacturers through a complex distribution system for use to maintain and repair vehicles in use.

APAA completely agrees that something must be done to stop the illicit trade in stolen vehicles and parts. Proposals to strengthen the criminal sanctions for persons engaging in the trade are welcomed, as are initiatives taken by insurance companies to reward those vehicle owners who take social security precautions.

APAA is convinced further that significant progress can be made in the fight against this costly crime industry with minimum government expenditure and minimum cost to consumers. Among the measures we support are greater availability from insurers of premium reduction incentives for vehicle security, expanded dissemination of information pertaining to the incentive programs, and a government-supported education program to make owners and consumers aware of the theft problem and advise them of measures that can be taken to limit their exposure.

At present, only a few states, e.g., Massachusetts, New York and Illinois, require insurance companies to give a discount for having anti-theft devices on insured cars. Further, despite the fact that the insurance industry's rating organization, the Insurance Service Organization, permits insurance companies to provide a 5–15 percent discount (dependent upon whether the device is an alarm, or an active or passive disabling device) on comprehensive premiums, few insurance companies honor the premium reduction and fewer still promote it to their customers.

Section 103 of the bill, requiring a report from the Department of Transportation on developing a mandatory vehicle security device or on requiring optional OE installation, is of great concern to APAA.

Based on the language employed in the bill, there appears to be a major oversight of the industry comprised of more than 50 companies which has devoted itself, vast resources and investment dollars to researching, developing and marketing auto security devices for the consuming public. As evidence of the commendable and responsive record of the aftermarket in this field are the hundreds of auto security products ranging from simple and relatively inexpensive mechanical and electrical devices—steering, ignition and brake locks, fuel shutoffs, sirens and flashing lights--to highly sophisticated electronics that can cost into the thousands of dollars. The number of different security devices available is a manifestation of the aftermarket's efforts to meet the specific needs of the vehicle's environment, as well as the idiosyncracies of each vehicle owner.

This Association is unalterably opposed to mandating security devices as original equipment. Such action would devastate the independent aftermarket security device industry, and do so unnecessarily and at the public's expense.

Installing security devices as original equipment carries a multitude of drawbacks. Among them:

(1) OE installation would result in relatively few types of devices being installed in vast numbers of vehicles. This would make disarming of the devices an easier task for thieves, who would no longer be obliged to familiarize themselves with the multitude of different devices and different installation locations presently available to vehicle owners. As noted by the National Automobile Theft Bureau, "Many owners . . . prefer to install their own anti-theft devices. These, being unique, give added protection since their operation is unfamiliar to both amateur and professional auto thieves."

(2) OE installation does not address the vast differences in theft environments which exists between, for instance, New York City and Billings, Montana. OE installation will require the use of "happy median" devices which require the use of "happy median" devices which simultaneously may be neither a sufficient deterrent in New York nor cost-effective in Billings.

(3) Further, not all cars need protection, and some vehicle owners are likely to respond as many did to seat-belt buzzers, by disconnecting them. This will not be difficult with OE installations as the wiring and parts will be identically located in every vehicle and "disconnect info" will travel quickly.

(4) Mandatory installation will eliminate consumer choice with respect to the purchase of security devices when such elimination is not warranted given the less onerous methods of providing increased security.

(5) Coincident with restricting consumer choice, mandatory OE installation also would result in increased cost to the vehicle owners. Typically, aftermarket security devices are less expensive than those presently available as optional equipment from the vehicle manufacturers.

APAA likewise is concerned about the apparent failure of the drafters of S. 1400 to recognize the impact of Section 101 on the independent automotive aftermarket. Section 101 calls for a security standard to be developed by the Department of Transportation involving procedures for identifying motor vehicle parts and components, both original equipment and replacement. Again, the language employed in the legislation seems to ignore the very existence of the independent aftermarket manufacturer.

In order to prevent the development of a standard the costs of which outweigh the benefits, the legislation instructs DOT to conduct first a cost benefit study. The scope of the study encompasses the production and sales effects of the standard upon vehicle manufacturers only. The legislation also prevents DOT from imposing a compliance cost greater than $10 per vehicle on the vehicle manufacturer. Nowhere in the legislation is the fate of the independent aftermarket manufacturer considered.

Since the legislation is mute on what parts are to be covered and in fact gives no guidance to the Administration in selecting the parts, we believe our recommendation is justified. And our recommendation is this: In that parts selected by DOT for special anti-theft identification may be made by other than the vehicle manufacturer, Section 101(b) of the Act, wherein it adds to the National Traffic and Motor Vehicle Safety Act of 1966 subsection (j)(3)(A) to provide for an evaluatioin and subsection (j)(4)(A) to establish a cost cap, should be amended to evaluate and limit likewise the impact such provisions may have on replacement parts makers independent of the vehicle manufacturer. Furthermore, the cost gap applicable to replacements made by non-vehicle manufacturers should be no greater proportionally than the cost cap applied to the manufacturer of the entire vehicle.

We trust we have provided a constructive addition to your consideration of this significant problem. APAA will be pleased to respond to any questions you may have. Again, we appreciate the opportunity to participate in developing sound public policy to thwart the chop shop epidemic.

Sincerely yours,

LINDA J. HOFFMAN,
Director, Public Affairs
and International Trade.

FORD MOTOR CO.,
AUTOMOTIVE SAFETY OFFICE, ENVIRONMENTAL AND SAFETY,
Dearborn, Mich., August 18, 1983.

Hon. JOHN C. DANFORTH,
Chairman, Surface Transportation Subcommittee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Mr. V. J. Adduci has provided us with a copy of your August 9, 1983 letter to him in which you enclosed a list of questions on vehicle theft submitted by the Commerce Committee minority. We understand that Mr. Adduci will be responding for the Association, but we would like to take this opportunity to expand upon the answer to the first question which was, "Do the car manufacturers operate any voluntary program of component identification?"

Four years ago Ford initiated an experimental program to identify six additional component parts on the all new Lincoln and Mark VI in an effort to investigate the possible effect on reducing vehicle thefts (the Continental was added in 1982). This porogram involves printing the vehicle identification number (VIN) on tamper resistant labels that incorporate special security features and applying them to the vehicle front fenders, front doors, hood, deck lid and rear body structure. To date, the effectiveness of the program in reducing the thefts of these vehicles is uncertain. Using FBI data, the theft rate of these vehicles was down somewhat in 1981 but was up in 1982—perhaps for reasons unrelated to the component identification program. National Automobile Theft Bureau [1] (NATB) data indicate a reduction in the theft rate of these vehicles (Attachments I and III). Both FBI and NATB data indicate an improved vehicle recovery rate of the test vehicles (Attachments I and IV).

However, NATB data also indicate an improved recovery rate for a Ford "composite vehicle" comprised of a number of representative models on which component parts did not bear addtional identification (see Attachments II and IV for details). The theft rate of the "composite vehicle" without additional component part identification was also improved.

We believe this information proves that more studies are required to determine the effectiveness of additional component identification. We have committed to continue our experimental program on the Lincoln, Mark and Continental for at least another year. As emphasized in Mr. Adduci's July 19 testimony before your Committee, the efforts of many organizations are necessary to realistically evaluate the potential of additional component identification.

The FBI and NATB have been very helpful in providing us with theft data. However, the support of other key organizations is also necessary. These include the Department of Transportation, the National Automobile Theft Bureau, the International Association of Auto Theft Investigators, the International Association of Chiefs of Police, the Automotive Dismantlers and Recyclers of America and the American Association of Motor Vehicle Administrators.

We are hopeful that an industry-wide voluntary experimental program can be developed that would determine whether the additional component parts identification is an effective way to deter vehicle thefts.

Beyond the issue of component, identification, Ford has made product improvements such as an improved steering column lock mechanism, replacement of the mushroom shaped door lock knobs with bullet shaped ones, and incorporation of a two key system—one key for the door lock and one for the ignition lock, to help deter vehicle thefts. A summary of the major improvements is attached.

In conclusion, we believe we have made some substantial product advances to reduce the susceptibility of our products to thievery and are strongly committed to determining if additional component identification would also be effective.

We would be pleased to have you or members of your staff visit Ford to learn first hand about our efforts to incorporate anti-theft features in our products.

Sincerely,

ROGER E. MAUGH, *Director.*

Attachments.

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[1] The National Automobile Theft Bureau (NATB) is an organization supported by 575 property-casualty insurance companies.

ATTACHMENT I—THEFT STATISTICS—NATB AND FBI DATA, LINCOLN/MARK/CONTINENTAL

	1976		1977		1978		1979		1980		1981 [1]		1982	
	NATB	FBI	NATB	FBI	NATB	FBI	NATB	FBI	NATB	FBI	NATB	FBI	NATB	FBI
Vehicles reported stolen	879	—	757	—	826	—	818	1,259	407	506	230	451	259	652
Production	117,941		175,921		160,689		168,539		70,124		69,537		85,313	
Reported thefts per 1,000 vehicles produced	7.45	—	4.30	—	5.14	—	4.85	7.47	5.80	7.22	3.31	6.49	3.04	7.64
Recovered vehicles	499	—	394	—	413	—	369	792	239	356	129	344	160	541
Recovery rate, percent	51.0	—	52.0	—	50.0	—	45.1	62.9	58.7	70.4	56.0	76.3	61.8	83.0

[1] Ford introduced a two key, enter-and-drive anti-theft system on all carlines in 1981. One key is required to open car door. A second key is required to operate the ignition.

NATB—National Automobile Theft Bureau

FBI—Federal Bureau of Investigation

The National Automobile Theft Bureau (NATB) is an organization supported by 575 property-casualty insurance companies. NATB theft data reporting differs from that of the FBI. NATB theft data reflects stolen insured vehicles that are not recovered within the first 48 hours from the time of the vehicle theft report, whereas FBI data reflects all reported vehicle thefts.

ATTACHMENT II—THEFT STATISTICS—NATB DATA, "COMPOSITE" VEHICLE [1]

	1976	1977	1978	1979	1980	1981 [2]	1982
Vehicles reported stolen	2,828	2,884	3,892	4,091	2,255	1,553	1,341
Production	1,807,726	2,015,227	2,300,524	2,275,968	1,404,657	1,381,754	1,229,165
Reported thefts per 1,000 vehicles produced	1.56	1.43	1.69	1.80	1.61	1.12	1.09
Recovered vehicles	1,779	1,645	2,229	2,317	1,424	1,047	942
Recovery rate, percent	62.9	57.9	57.3	56.6	63.1	67.4	70.2

[1] The "Composite" vehicle includes the following vehicle lines: 1976 and 1977 Maverick/1978 to 1982 Fairmont; 1976 and 1977 Comet/1978 to 1982 Zephyr; Granada; Ford (full size); Mercury (full size); Mustang; Thunderbird; Cougar; 1976 to 1980 Pinto/1981 and 1982 Escort; 1976 to 1980 Bobcat/1981 and 1982 Lynx.

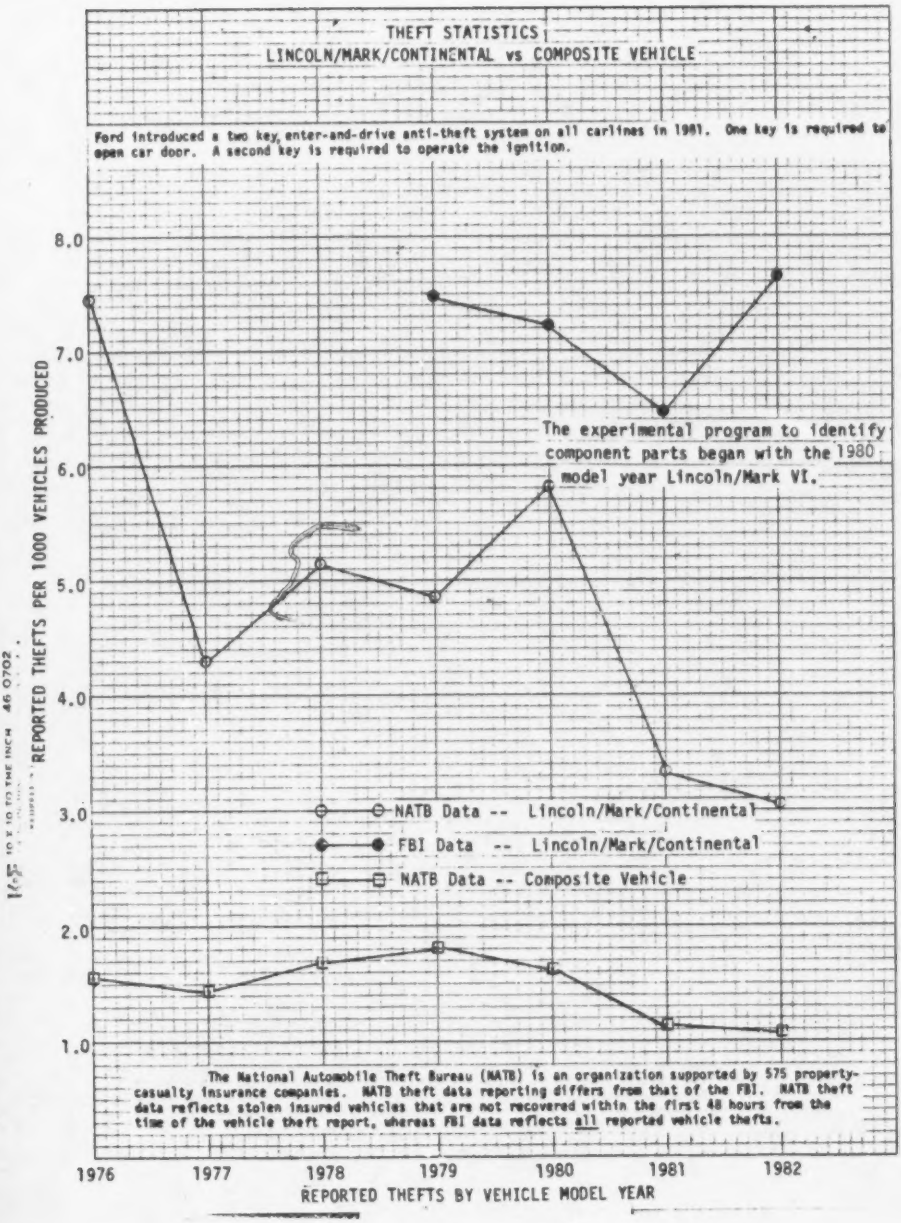
The number of reported vehicle thefts and recoveries of each vehicle line listed were added together for the respective model years presented. The number of units of each vehicle line produced were also added together for the respective model years. This "Composite" was then used to calculate the theft rate per 1,000 vehicles produced. The recovery rate is the total number of recoveries divided by the total number of reported stolen vehicles.

[2] Ford introduced a two key, enter-and-drive anti-theft system on all carlines in 1981. One key is required to open car door. A second key is required to operate the ignition.

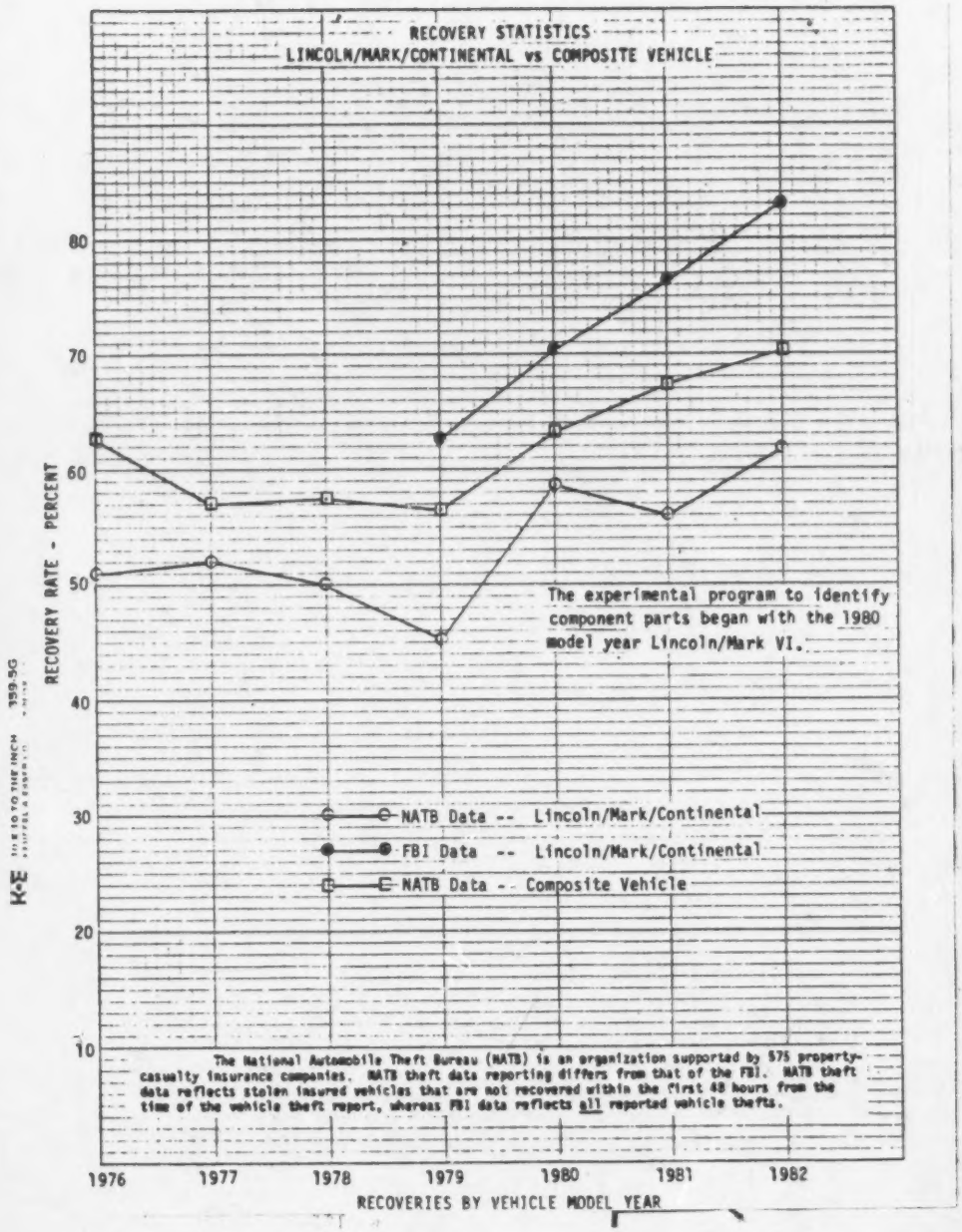
NATB—National Automobile Theft Bureau.

The National Automobile Theft Bureau (NATB) is an organization supported by 575 property-casualty insurance companies. NATB theft data reporting differs from that of the FBI. NATB theft data reflects stolen insured vehicles that are not recovered within the first 48 hours from the time of the vehicles theft report, whereas FBI data reflects all reported vehicle thefts.

Attachment III


THEFT STATISTICS
LINCOLN/MARK/CONTINENTAL vs COMPOSITE VEHICLE
Ford introduced a two key, enter-and-drive anti-theft system on all carlines in 1981. One key is required to open car door. A second key is required to operate the ignition.
REPORTED THEFTS PER 1000 VEHICLES PRODUCED
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
The experimental program to identify component parts began with the 1980 model year Lincoln/Mark VI.
NATB Data -- Lincoln/Mark/Continental
FBI Data -- Lincoln/Mark/Continental
NATB Data -- Composite Vehicle
The National Automobile Theft Bureau (NATB) is an organization supported by 575 property-casualty insurance companies. NATB theft data reporting differs from that of the FBI. NATB theft data reflects stolen insured vehicles that are not recovered within the first 48 hours from the time of the vehicle theft report, whereas FBI data reflects all reported vehicle thefts.
1976
1977
1978
1979
1980
1981
1982
REPORTED THEFTS BY VEHICLE MODEL YEAR

Attachment IV


RECOVERY STATISTICS
LINCOLN/MARK/CONTINENTAL vs COMPOSITE VEHICLE
RECOVERY RATE - PERCENT
80
70
60
50
40
30
20
10
1976
1977
1978
1979
1980
1981
1982
RECOVERIES BY VEHICLE MODEL YEAR
The experimental program to identify component parts began with the 1980 model year Lincoln/Mark VI.
NATB Data -- Lincoln/Mark/Continental
FBI Data -- Lincoln/Mark/Continental
NATB Data -- Composite Vehicle
The National Automobile Theft Bureau (NATB) is an organization supported by 575 property-casualty insurance companies. NATB theft data reporting differs from that of the FBI. NATB theft data reflects stolen insured vehicles that are not recovered within the first 48 hours from the time of the vehicle theft report, whereas FBI data reflects all reported vehicle thefts.

Chronology of Antitheft Features Incorporated in Ford Motor Co. Vehicles Since 1970

1970: Introduced new steering column mounted lock cylinder (with ignition switch) to lock steering wheel and lock column mounted automatic transmission shift lever in "park" position. A switch activates a warning buzzer when key is left in ignition and left front door is opened. Retaining pin used to secure lock cylinder in steering column casting (all passenger cars).

1970: Added VIN plate visible through windshield (all passenger cars).

1973: Increased size of steering column lock cylinder retaining pin from 0.095" diamater to 0.125" diameter. Hole diameter in steering column casting increased to accommodate larger retaining pin diameter.

1973: Added inside hood release as standard equipment (Ford-Mercury, Lincoln-Mark, Torino-Montego-Ranchero, T'Bird-Cougar).

1973: Added optional locking inside hood release. Lock cylinder locks hood release lever in the latch position (Ford-Mercury, Lincoln-Mark).

1973: Optional spare wheel lock added. Locking mechanism attaches to wheel hold down bolt and rotates freely in the locked mode.

1973: Added optional anti-theft alarm system. Alarm switch activated by key in door lock cylinder. Alarm set off when doors or deck lid are opened without a key, causing horn activation (Ford-Mercury, Lincoln-Mark, T'Birds).

1975: Improved luggage compartment (deck lid) lock. Revised deck lid lock cylinder—added interlocking ribs, increased strength of pin tumber walls and added full length staking of pin retainer cap. Added interlocking plate as secondary support deck lid lock cylinder. Added secondary clip to secure deck lid lock cylinder to interlocking plate. Program began with Ford, Granada-Monarch and Mustang and was expanded to other car lines on a cycle design basis.

1976: Improved steering column lock (all passenger cars). Increased width of lock cylinder pin tumber housing to prevent break out on torquing. Changed pin tumber material from brass to stainless steel to increase torque resistance of lock cylinder. Designed "ears" to lock cylinder so that "ears" turn without transmitting torque to lock cylinder body when forcibly torqued. Added requirement that every key code have a number (1) and (5) tumber pin in the combination. This provides full tumbler pin engagement in all codes for improved torque resistance. (Note: This reduced available key codes from 1864 to 1140 different codes.) Slotted hardened steel disc added at base of steering column casting to act as second retaining system for lock cylinder for increased slam pulling resistance. Revised tumbler pin retainer cap to provide use of improved retention of cap to lock cylinder. Retro-fit program developed to provide use of improved lock cylinder and steering column casting as service parts on all car lines back to 1970.

1976: Removed key code number from door lock cylinder (all passenger cars). Note: Key codes were placed on the lock cylinder as serviceability feature.

1977: Added hardened steel disc to steering column lock cylinder in line with the tumbler pins (all car lines).

1977: Revised door lock knobs. Added bullet shaped knobs mounted flush with top of door trim panel in locked position, replacing raised mushroom shaped knobs (2 door passenger cars).

1977: Optional spare wheel lock added. Locking mechanism attaches to chassis mounted spare wheel hold down bolt and rotates freely in the locked mode ("F" series).

1978: Revised door lock cylinder. Fixed lever on door lock cylinder and moved lever motion to door latch mechanism (Fairmont-Zephyr expanded to all car lines on a cycle design basis).

1978: Added vent window locking button to handle ("F" series, Bronco and Econoline).

1978: Added optional locking inside hood release. Lock cylinder locks hood release lever in the latched position ("F" series, Bronco and Econoline).

1978: Added improved method for retaining ignition switch wiring connector to ignition switch ("F" series, Bronco and Econoline).

1979: Added to all front doors a sliding (fore and aft) lock knob in arm rest (Ford-Mercury, Mustang-Capri).

1979: Improved steering column lock. Replaced cylindrical shaped lock cylinder retaining pin with headed pin. Increased outside diameter of slotted hardened steel disc and modified steering column casting to increase contact area between disc and disc retaining snap ring.

1979: Fixed lever on door lock cylinder and moved lever motion to door latch mechanism on Bronco, "F" series and Econoline.

1979: Added a flange to the glass channel to shield the door lock and linkage ("F" series, Bronco and Econoline).

1979: Added twin locking levers on flip window handle. Both must be squeezed simultaneously to release handle (Econoline).

1980: Added steering column lock to "F" series, Bronco and Econoline.

1980: Removed key code from door lock cylinder ("F" series, Bronco and Econoline). Note: key codes were placed on the lock cylinder as serviceability feature.

1980: Relocated the lock knobs to mid-position on door panel and motion was revised to a fore and aft direction ("F" series, Bronco).

1980: Incorporated push button door handles ("F" series, Bronco).

1980: Relocated vent window handle pivot closer to edge of glass and position of locking button 90° to plane of glass ("F" series, Bronco).

1980: Added inside hood release as standard equipment ("F" series, Bronco).

1980: Added VIN plate which is visible through the windowshield ("F" series, Bronco).

1980: Added improved locking system to optional sliding rear window ("F" series).

1980: Relocated the lock knobs to a position near arm rest on all front doors. Motion revised to a fore and aft direction (T'Bird-Cougar XR-7, Lincoln-Mark VI).

1980: Initiated an experimental program to identify each front fender, doors, hood, deck lid and rear body structure—six additional component parts on Lincoln Mark VI.

1981: Revised passenger car and light trucks two key system so that one key operates the ignition lock and other key operates door and trunk lock.

1981: Expanded vehicle identification number (VIN) to 17 characters to comply with Federal Motor Vehicle Safety Standard 115. This system incorporates a "check digit" as a means of detecting transcription errors. This should result in fewer incorrect VIN's being entered in various computer networks.

1981: Ford logos lightly embossed in VIN plate to make alteration or counterfeiting of VIN plate more difficult.

1982: Expanded experimental programs to identify component parts to Continental.

1982: Incorporated sliding door lock on Continental.

1983: Optional anti-theft alarm system available on Lincoln, Mark VI, Continental, Thunderbird and Cougar. Unauthorized entry into vehicle or luggage compartment causes horn to activate and lights to flash.

1983: Continued experimental program to identify component parts on Lincoln/Mark VI/Continental.

STATEMENT OF SETH KAMINSKY, CHAIRMAN, SECURITY COMMITTEE, AMERICAN CAR RENTAL ASSOCIATION

These comments are submitted by the American Car Rental Association (ACRA) to the Subcommittee on Surface Transportation of the Senate Committee on Commerce, Science and Transportation in support of S. 1400, a bill designed to impact the very costly and continuously increasing auto theft problem in the United States.

ACRA is a trade association comprised of more than 1,500 companies who rent and lease in excess of 500,000 motor vehicles from more than 3,000 locations in every state.

ACRA's members range from small, local companies to the large, nationally recognizable firms such as American International, Avis, Budget, Holiday, National and Thrifty.

The rental vehicle is today a vital element in the nation's transportation network. Rental cars are utilized extensively in both the commercial and leisure sectors to provide transportation where public facilities are unavailable, impracticable or inadequate.

The auto theft problem experienced by our industry is really no different from that experienced by all vehicle owners and, as such, ACRA enthusiastically supports S. 1400 as a significant benefit to all vehicle owners. As might be expected, with our sizeable fleets of late model, fully equipped, low mileage vehicles, the rental automobile is particularly vulnerable to auto theft for several distinct reasons.

1. The make and model of the vehicle.—Our member companies typically will rent the more popular prime targets for auto theft due to the value of their parts as well as their greater value as an entire unit in the illegal export market. Data reported by the Highway Loss Data Institute reflects the fact that more expensive, larger vehicles have the worst theft loss experience based on the average loss payment per

insured car per year. This particular study included not only the theft of the vehiclel, but also the theft of accessories and property from within the vehicle.[1]

2. The age of the vehicle.—In a comprehensive study of auto theft patterns base on claims paid during late 1981, a report commissioned by the National Industry Commission concluded that approximately 70 percent of all vehicle thefts involved units four years of age or less at the time of the theft.[2] Not only are newer vehicles more valuable, but their component parts are commensurately more expensive in the marketplace. Given the absence of a mature, legitimate used parts after-market for late model vehicles, such parts are generally only obtainable at dealers for top dollar or in the illegitimate parts market.

3. The Situs of the Vehicle.—The above report concluded that auto theft "is clearly an urban problem" with urban locations accounting for 71.1 percent of all auto thefts.[3]

This conclusion is also reported in the 1981 FBI Uniform Crime Reports which reflected that in 1981, cities with populations exceeding 1,000,000 averaged 1,398 motor vehicle thefts per 100,000 population as contrasted with Standard Metropolitan Statistical Areas (SMSA's), Cities Outside Metropolitan Areas and Rural Areas which averaged 570,236 and 119 motor vehicle thefts per 100,000 population, respectively.[4] In terms of absolute thefts, New York, Los Angeles, Chicago, Houston, Detroit, Boston, Philadelphia and Cleveland experienced the greatest number of motor vehicle thefts annually.[5] It is not surprising that rental car fleets in these key commercial cities are among our largest and are commensurate with our auto theft problems there.

4. Care and Custody of the Vehicle.—Rental vehicles do not always receive the same care and control as personally owned automobiles. They are frequently parked in public places which afford easy access for auto thieves. Further, they are often left unlocked and frequently contain valuable personal property as an added attraction to the car thief. Our members continually strive to educate our customers to park in safe locations and to secure the vehicle and their personal possessions, but this advice is not always heeded.

We conservatively estimate that the auto theft problem costs our industry $60 million annually, *excluding* expenses for vehicle recovery, damage to and stripping of recovered vehicles, loss of revenue while the vehicles are missing and costs of replacement vehicles.

We believe that a clear need exists for meaningful legislation to provide law enforcement authorities with the tools they so desparately need to deter auto theft by numbering additional vehicle parts and components as well as impacting the trafficking and exportation of stolen vehicles and vehicle parts. The cost of the numbering requirement seems modest compared to the total value of the vehicle, not to mention the cost to the American public due to vehicle theft, estimated by this committee at in excess of $4 billion annually.

In 1980, National Car Rental System, Inc. began a test program of component marking its rental fleet in Chicago and in 1981 expanded its program to Detroit and Cleveland.

In 1982, the Truck Renting And Leasing Association (TRALA), a sister trade association of ACRA embarked on a test component marking program in Atlanta on trucks owned by five of its member companies.

Both National's program and TRALA's program have proven to be successful, success being measured by a decrease in the rate of theft of the marked vehicles and a significant increase in the number of vehicle recoveries.

National now marks certain components of the cars in its rental fleets in the cities mentioned by way of a sand blasting technique that embosses the vehicle identification number on approximately 20 component parts of the car, including the glass. Results of the marking programs in 1982 reflect as follows: As evidence of improved recoveries, National found that in Chicago, a high crime city, the recovery rate for marked stolen vehicles was 92.17% as compared to the pre-marking rate of recovery in Chicago of 65%. Figures provided by TRALA for the participating companies in Atlanta are also encouraging. They show that in 1981 and 1982 without component marking they had 27 stolen vehicles and since July 1982 through June

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[1] Highway Loss Data Institute, *Research Report HLDI. T81-1,* May, 1982.

[2] National Industry Committee, Executive Report, December, 1982. Automobile Thefts in the Shared Market: A Comprehensive Analysis.

[3] National Industry Committee, Executive Report, December, 1982, Automobile Thefts in the Shared Market: A Comprehensive Analysis.

[4] Federal Bureau of Investigation, Unfiorm Crime Reports, 1981.

[5] Federal Bureau of Investigation, Unfiorm Crime Reports, 1981.

1983 they had two stolen vehicles. Obviously it is too early to draw any conclusions from this small sample, but it is believed that a casual relationship exists. In Cleveland, National Car Rental experienced an appreciable drop in the canabalizing of marked cars as compared to unmarked vehicles.

One of the keys to the success of the National Car Rental program is the fact that they conspicuously place a decal (identifying that components of the vehicle are marked) on the driver's side of each marked vehicle. They also mark each piece of glass visibly with the vehicle identification number. Equally significant, they have embarked on a publicity campaign that alerts both law enforcement authorities and protential thieves to the program, unlike the pilot programs undertaken by certain auto manufacturers which were not accompanied by any publicity. If a thief does not know the car is marked, there can be no deterrent effect. If Police do not know the car is marked, they are hampered in the recovery process and cannot obtain evidence for prosecution.

The American Car Rental Association believes that without equivocation, a well publicized nation-wide component marking program, with laws making it an offense to obliterate the marks, will be a deterrent to the theft of motor vehicles. We support the need for the standardized marking of components of all vehicles.

Despite the success of National's and TRALA's component marking test programs, we emphasize that in ACRA's view, component marking by owners after the vehicle leaves the factory is totally inadequate to have an impact on auto theft. Moreover, owner marking in itself has severe limitations. To highlight some of these problems:

Critical to the success of a component marking program is a standardized format nationwide, including, for example, location of the mark and the size of the digits. This standardization cannot be achieved if left to each owner's discretion.

It is more expensive and difficult for each owner to mark their vehicle than if done at the point of manufacture.

Sand blasted or etched numbers are more easily obliterated than factory stamped numbers.

The sand blasting process poses an occupational health hazard.

Tape marking is ineffective unless obliteration or removal of the tape is in and of itself a violation of law. Even then, there may be no evidence remaining that the tape was ever there.

Owner marking is at best voluntary and would dilute and undermine the effectiveness of any national, uniform component marking programs.

We believe that the mandatory stamping of key component parts at the point of manufacture is the only truly effective way to enable law enforcement to make positive identification of marketable component parts. Furthermore, unless the itemized parts are marked in all vehicles, the program will clearly not have the intended impact.

ACRA clearly understands the importance and economic necessity to keep vehicle manufacturing costs at a minimum as our members are among the major purchasers of new domestic vehicles. Yet a balance must be maintained in this instance and we believe the increased cost of stamping VIN's on components' parts is clearly in the best interest of all consumers.

Lack of meaningful legislation regarding vehicle exportation is even more critical. Those involved in this illegal enterprise are highly professional and fast moving. They take full advantage of our virtually non-existent export regulations and we frequently discover that vehicles have exited the country even before a theft alarm on the particular vehicle has been filed.

In order to export a vehicle from the U.S. today, one need only file a shipper's export declaration describing the make of the vehicle and its approximate value. There is no obligation for an individual to identify the vehicle by VIN nor is it necessary for that individual to declare that he is the title owner of the vehicle. Further, even this declaration is not required to be filed until 72 hours after the vehicle leaves the U.S. Thus, a stolen vehicle shipped out of the country is on the high seas before any export documentation need be filed at all. The paucity of record keeping is such that it is extremely difficult for our industry to even approximate the number of stolen rental vehicles being exported. Even if located in a foreign country, it is almost impossible to recover these vehicles.

Our members, as well as the millions of other vehicle owners in this country are all potential and helpless victims of this situation.

One suggestion we would offer to the Committee is to define the term "stolen" in S. 1400 so as to incorporate vehicles rented and not returned in accordance with a rental contract. Such failure to return a vehicle typically constitutes a "conversion" rather than a theft and it is submitted that appropriate consideration be given to

this issue to expand the definition of "stolen" in S 1400 so as to include the crime of conversion. It is noted that this request is not considered to be substantive issue regarding S. 1400 but rather represents a matter of drafting of the language of the proposed bill.

Please be assured of the continuing support of the American Car Rental Association in connection with this bill. To the extent we are able to do so, we would be pleased to provide any additional information concerning the scope of this problem as it affects our industry. It is our earnest hope that the provisions of S 1400 can be enacted into law in an attempt to stem the growing tide of motor vehicle thefts in the United States.

NATIONAL AUTOMOBILE THEFT BUREAU,
Palos Hills, Ill., September 20, 1983.

Ms. KAREN BORLAUG PHILLIPS,
Surface Transportation Subcommittee of the Senate,
Washington, D.C.

DEAR MS. PHILLIPS: I am writing to you at this time to respond to certain questions directed to my attention by Senator Danforth's letter of August 9.

Question. In your testimony before the Committee, you pointed out four major methods of operation that combine to account for the auto theft problem. How will S. 1400 eliminate these four methods?

Answer. First, in my statement to the Subcommittee, I referred to four major methods of operation that combine to account for the catastrophic dimensions of the theft problem. It was indicated that these methods were: (1) VIN switching, retagging, body switch, or salvage switch; (2) chop or cut shops; (3) exports; and (4) insurance fraud. The question presented is, "How will S. 1400 eliminate these four methods?"

S. 1400, if enacted, will not eliminate any or all of these methods of operation. It has never been a position of the N.A.T.B. that the Motor Vehicle Theft Law Enforcement Act will solve the motor vehicle theft problem. Instead, our position has been that the Motor Vehicle Theft Law Enforcement Act provides useful and necessary tools for law enforcement in combatting vehicle theft. Enactment of S. 1400 would impact, if not eliminate, the methods of operation in several ways.

(1) VIN switching, retagging, body switching, or salvage switching involve disguising a stolen vehicle with the identity (i.e. vehicle identification number and certificate of title) of a nonstolen vehicle. The precise type of technique used can vary from primitive to sophisticated. One primitive technique is the use of a Dymo tape overlay to misrepresent the vehicle identification number. Sometimes the VIN plate from the nonstolen unit is physically transferred to the stolen unit. A sophisticated criminal operation can reproduce nearly perfect VIN plates as well as alter other locations where numbers appear on the vehicle. One of the most common techniques involves changing the VIN plate, obliterating other chassis number locations, transferring the safety certification label, and installing an engine and transmission from a salvage or other nonstolen vehicle.

S. 1400 will impact this method by making it more difficult to falsify or conceal a vehicle's identity. Assuming that component part identification is implemented, each component part that is uniquely identifiable must be either falsified or obliterated. More numbered locations per vehicle not only would make the thief's job more difficult but also would improve the odds of the thief missing a location. This would lead to the true identification of a vehicle as stolen and would result in the vehicle being returned to its owner and as a basis for prosecution, which is a deterrent. It must be noted that S. 1400 would mean that the act of altering or falsifying VINs would be a federal offense. In addition, possession of a motor vehicle or motor vehicle part or component with knowledge that any identification number for the motor vehicle, part, or component has been removed, obliterated, tampered with or altered is added as a federal offense under the crime of tampering proposed as Sec. 2320 of Title 18, United States Code. This can also be a deterrent. S. 1400 would make disguising a stolen vehicle more difficult, more time consuming, less profitable for the thief, and would improve the capability of law enforcement to identify stolen vehicles and to restore them to their proper owners.

(2) Chop or cut shops would most obviously and most directly be impacted by component part identification pursuant to S. 1400. Every stolen component part required to be identified would be a high-risk, low-profit item. Law enforcement personnel would be able to establish possession of a vehicle part having an altered identification number where a numbered component part is discovered in a chop shop.

It bears mentioning that component part numbering will not eliminate chop shops. At present, engines and transmissions are numbered. There still is a market for stolen engines and transmissions as low-cost repair/replacement parts. A dishon-

est repair facility can pay bottom dollar for stolen identifiable parts, install them in a customer's vehicle, and charge the consumer fair market value for the engine or transmission. This means hidden profit for the repair facility and relatively little chance of detecting the stolen part replaced in a nonstolen vehicle. In other words, permanent component part identification will foreseeably result in a significant impact on the market for stolen parts. The market, however, will not be eliminated.

(3) Exportation of stolen vehicles and vehicle parts will certainly be more difficult upon enactment of S. 1400 because of the provisions of Title III. In addition, the implementation of component part identification will provide more points of identification for a vehicle, making it possible for law enforcement authorities to detect stolen vehicles as well as stolen vehicle parts. Attempts to export stolen vehicles through the use of disguised identification will be more difficult.

(4) Insurance fraud will also be impacted by S. 1400 in several ways. In one instance the misrepresentation that stolen or damaged component parts have been replaced will be subject to ready verification through numbered component parts. In another situation involving false claims of the rebuilding of a vehicle, each numbered component will have its own audit trail. This provides numerous leads for the investigator and numerous chances of detection for the fraud artist. The person who strips his own car in order to collect on insurance and then sell the parts will face greater odds of detection with the advent of uniquely numbered component parts.

The question has been submitted as to whether the Congress should wait to fully evaluate the pilot projects before instituting component part identification on a nationwide basis. Based on available information, there is a great likelihood that the pilot projects thus far conducted will never tell us what we need to know. For evaluation purposes, it is submitted that it is necessary to have legislation enacted and implemented to establish a uniform national standard of component part identification. It is then necessary for component-identified vehicles to be on the road, in use, and subject to theft for an appropriate period of time. I would submit that this time period would be in excess of six (6) years. After this time period, approximately 50 percent of the vehicles in the United States would have component parts numbered. Only at this point would it be possible to realistically evaluate component part identification as an antitheft technique.

It is noted that one necessary element for effective evaluation of component identification is the existence of state laws which clearly make it a crime to alter, remove, or falsify an identification number on a component part and which prohibit the possession of any such parts. This element, at present, is missing. There is a lack of enforcement capability at present.

Question. In your testimony you caution against making judgments on the basis of pilot projects—you note that "there quite simply has not been an adequate period of time since the inception of these projects. . .". Should the Congress wait to see how successful these projects are before instituting this on a nation-wide basis?

Answer. As indicated in my statement to the Subcommittee, it could take three years, or more, just to each the effective date of a component part identification standard. It is submitted that this three-year period represents the opportunity for the enactment of appropriate state legislation necessary to complement the federal effort. Any meaningful evaluation of component identification prior to this time seems to be impossible.

I would hope that the foregoing responses are sufficient for your purposes. If you require additional information, do not hesitate to call me.

Very truly yours,

PAUL W. GILLILAND,
President.

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